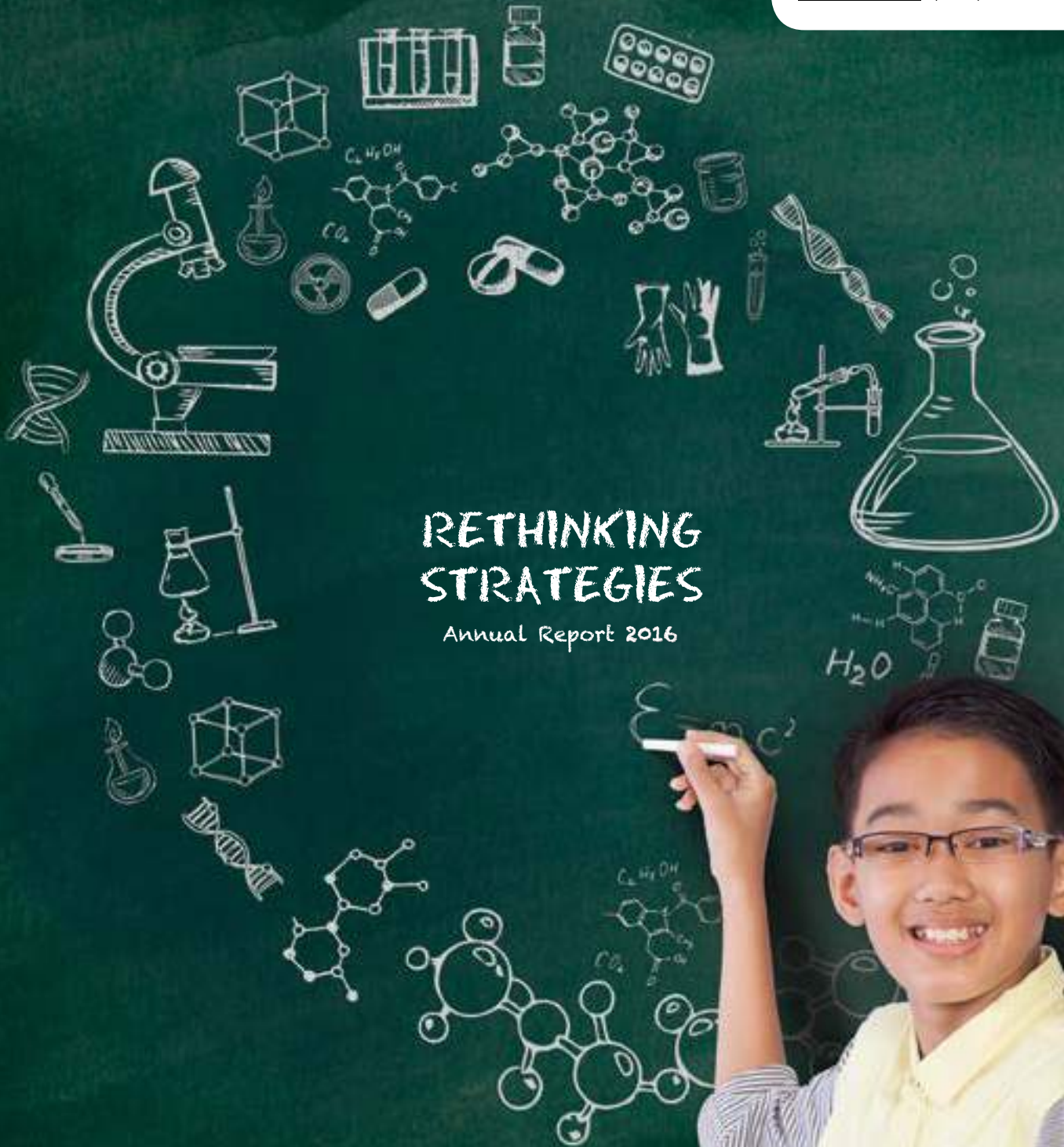




CHEMICAL COMPANY  
OF MALAYSIA BERHAD  
(5136-T)



# RETHINKING STRATEGIES

Annual Report 2016



**NEGARAKU**

# RETHINKING STRATEGIES

Our more than 50 years of experience has enabled us to always think ahead at identifying and anticipating market shifts, adapting our strategy to keep pace with rapid industry changes. Guided by our vision of 'Enhancing Quality of Life', we continually strategise in building for the future, focused on improving efficiency and sustainable innovation towards excellence as the core driver of our competitive advantage.



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# OUR VISION

Enhancing Quality of Life

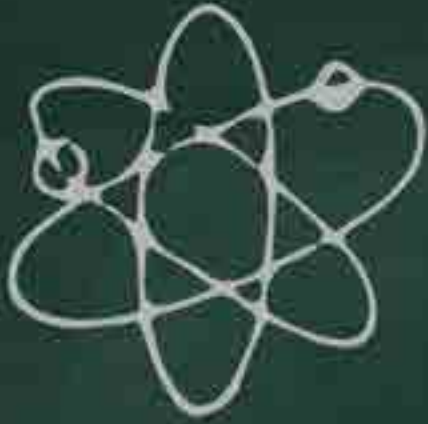
# OUR MISSION

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



*With appreciation and thanks to SK Kg. Johan Setia, our CCM PINTAR Alumni School, for providing their premise and students as talents in the images used in our Annual Report.*





# WINNING FORMULA

We continue to grow and evolve by generating lasting value — building competitive advantage from operational efficiency initiatives to sustaining growth for the future across our Pharmaceuticals, Chemicals and Polymers businesses.





# CORE VALUES

## Passion

We inspire and energise everyone to be the best

## Excellence

We consistently deliver outstanding performance through innovative solutions

## Respect

We value differences and sincere intentions as the basis for achieving shared aspirations



## Teamwork

We succeed together because we work as one

## Responsible

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

## Integrity

We conduct ourselves with pride in being honest and ethical

# FINANCIAL CALENDAR

Financial year end	31 December 2016
Annual General Meeting	24 May 2017

## ANNOUNCEMENT OF 2016 QUARTERLY RESULTS

1 <sup>st</sup> Quarter	23 May 2016
2 <sup>nd</sup> Quarter	26 August 2016
3 <sup>rd</sup> Quarter	25 November 2016
4 <sup>th</sup> Quarter	27 February 2017

# FINANCIAL REVIEW

## TURNOVER AND PROFITABILITY

(RM'mil)	Turnover		Profit/(Loss) before tax	
	2016	2015	2016	2015
Pharmaceuticals	312.9	334.8	31.5	46.1
Chemicals	214.7	213.9	18.0	6.6
Polymers	81.2	80.8	17.7	25.2
Fertilizers (discontinued)	145.9	367.5	(102.8)	(96.1)
Intersegment eliminations and others	0.5	0.8	(33.6)	(24.9)
Group	755.2	997.8	(69.2)	(43.1)

## LIQUIDITY

(RM'mil)	2016	2015
Net cash from operating activities	64.3	14.2
Net cash from/(used in) investing activities	14.3	(60.2)
Net cash (used in)/from financing activities	(111.2)	142.5
Exchange difference on translation of the financial statements of foreign operations	8.2	8.0
Net (decrease)/increase in cash and cash equivalents	(24.4)	104.5
Cash and cash equivalents at 1 January	312.7	208.2
Cash and cash equivalents at 31 December	288.3	312.7



# FINANCIAL HIGHLIGHTS

## FINANCIAL POSITION AS AT 31 DECEMBER

(RM'mil)	2016	2015
Total non-current assets	1,000.9	804.0
Total current assets	684.4	932.9
Total assets	1,685.3	1,736.9
<b>Financed by :</b>		
Share Capital	457.6	457.6
Reserves	183.6	29.0
Retained earnings	98.4	184.8
Equity attributable to owners of the Company	739.6	671.4
Non-controlling interests	152.2	178.6
Total equity	891.8	850.0
Total non-current liabilities	565.7	473.7
Total current liabilities	227.8	413.2
Total liabilities	793.5	886.9
Total equity and liabilities	1,685.3	1,736.9

## PROFIT OR LOSS FOR THE FINANCIAL YEAR

(RM'mil)	2016	2015
Continuing Operations:		
Revenue	609.3	630.3
Profit before tax	33.6	53.0
Tax expense	(14.6)	(24.4)
<b>Profit from continuing operations</b>	19.0	28.6
Discontinued Operations:		
Loss from discontinued operations, net of tax	(102.8)	(101.9)
<b>Loss for the year</b>	(83.8)	(73.3)
Loss attributable to:		
Owners of the Company	(63.6)	(62.5)
Non-controlling interests	(20.2)	(10.8)
<b>Loss for the year</b>	(83.8)	(73.3)

# GROUP FINANCIAL RATIOS

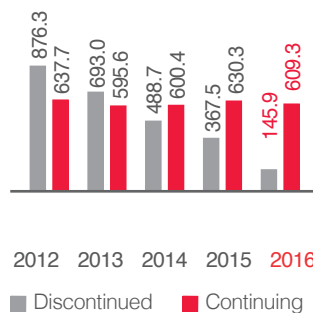
	2016	2015
<b>Profitability (%)</b>		
Turnover growth rate of continuing operations	(3.33)	4.98
Profit from continuing operation as a % of turnover	3.12	4.54
Continuing operation return on equity	2.13	3.37

<b>Liquidity</b>		
	2016	2015
Current Ratio (x)	3.00	2.26
Acid test ratio (x)	2.17	1.75

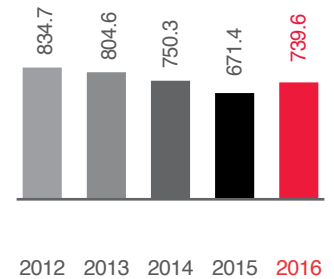
	2016	2015
<b>Market Ratios</b>		
Net Assets per share (RM)	1.63	1.48
Earning per share (sen)		
- from continuing operation	2.05	4.35
- from discontinued operation	(16.04)	(18.09)
Total Dividend per share (sen)	5.00	2.50

<b>Productivity</b>		
	2016	2015
Turnover per employee (RM'000)	472	578
Total Assets per employee (RM'000)	1,053	1,006
Number of employees	1,601	1,726

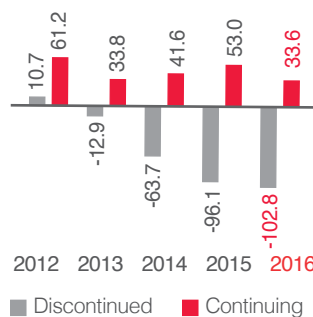
## TURNOVER (RM'mil)



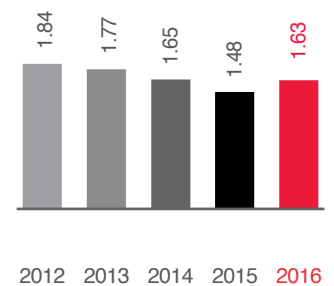
## EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'mil)



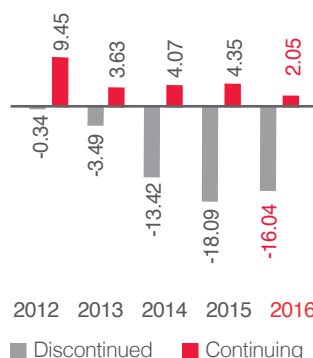
## PROFIT BEFORE TAX (RM'mil)



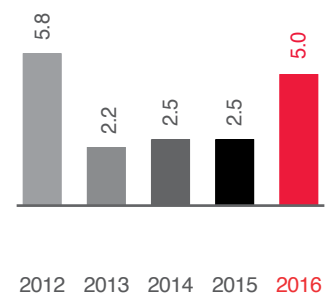
## NET ASSETS PER SHARE (RM)



## BASIC EARNINGS PER SHARE (Sen)



## DIVIDEND PER SHARE (Sen)



# CHAIRMAN'S STATEMENT



## DATO' HAJAH NORMALA BINTI ABDUL SAMAD

Non-Independent Non-Executive Chairman

### Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present to you the Chemical Company of Malaysia Berhad ("CCM") annual report for the financial year ended 31 December 2016 ("FY2016").

John. F. Kennedy once said, "For time and the world do not stand still. Change is the law of life." Indeed, through the years, our organisation has grown in leaps and bounds to keep up with the changing times. As a matter of fact, CCM's business transformation in Malaysia mimics the development of our country. We started the Fertilizers business during the Agriculture era in the 1960s and progressed into the Chemicals business during the Industrialisation era in the 1980s and now, have a solid presence in the Pharmaceuticals and Polymers businesses which are in line with the Innovation and Sustainability era of the nation.



While it was a difficult decision to exit the Fertilizers business, we are certain that we have made the right choice for the Group. Moving forward, our Polymers business will stand on its own instead of being part of the Chemicals business. Effectively, we will still have three major businesses, i.e. Pharmaceuticals, Chemicals and Polymers. These three businesses have strong footings in Malaysia and in the region. We will remain steadfast to strengthen our strategic initiatives and use our working capital efficiently to boost our business.

As for our performance for FY2016, CCM recorded a revenue of RM609.3 million from our core businesses, 3.3 percent lower from RM630.3 million recorded in the corresponding period in 2015 while continuing to consolidate our core businesses following the exit from the fertilizers business.

The Group's profit before tax from its core businesses for the financial year under review, fell 36.6 percent to RM33.6 million from RM53.0 million. An in-depth analysis of CCM's results and business review is presented in the Group Managing Director's Management Discussion and Analysis which can be found in pages 12 to 19 of this annual report.

## **DIVIDEND**

The Group continued its commitment to pay dividends albeit registering financial losses for the year. In 2016, the Group declared and paid two single tier interim dividends (paid on 3 June 2016 and 18 November 2016). Total dividend payout for 2016 was 5.0 sen (2015: 5.0 sen) per share, all totalling RM22.74 million.

## **ACKNOWLEDGEMENT**

The year 2016 saw its fair share of ups and downs but we are positive that all our stumbling blocks will serve as stepping stones for success in the coming years. We believe that we are where we are today because of the unending support from our stakeholders, employees, shareholders and customers. On behalf of the Board, I wish to extend our appreciation to our staff for their continuous dedication, perseverance, commitment and contributions to the Group.

We recently welcomed Datuk Nik Moustpha bin Haji Nik Hassan to join the CCM Board. We look forward to his contributions to the sustainable growth of the Group. At the same time, our subsidiary, CCM Duopharma Biotech Berhad ("CCMD") saw the retirement of Tan Sri Dato' Dr. Abu Bakar bin Suleiman and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam followed with the resignations of Datuk Alias bin Ali and Dato' Haji Ghazali bin Awang in 2016. In February 2017, Dr Byung-Geon Rhee also resigned from the Board. We thank them for their services and wise counsel.

We have made changes to our CCMD Board of Directors as part of our planning for the next stage of growth. We welcome Razalee bin Amin, Puan Sri Datuk Rohani Parkash binti Abdullah, Zaiton binti Jamaluddin and Dato' Eisah binti A. Rahman as new Board members of CCMD. We have also appointed Tan Sri Siti Sa'diah binti Sh. Bakir, Dato' Azmi bin Mohd Ali and myself to sit on the CCMD Board. We believe the strong line up of Board members and senior management will steer the Group to newer heights.

With that, I thank you very much for your support and I look forward to your continuous support for the coming year.

**DATO' HAJAH NORMALA BINTI ABDUL SAMAD**

Chairman

# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS



**LEONARD ARIFF BIN ABDUL SHATAR**  
Group Managing Director

## **Dear Shareholders,**

Many say the year 2016 will go down in history as one most remembered by all. With the US elections and Brexit, it was a year of economic uncertainty, both globally and in Malaysia.

For your Company, one of our notable decisions throughout the year was our exit and divestment of our Fertilizers business that has had a short-term negative impact on our financial performance. However, we are confident that this decision will enable your Company to move forward and focus our efforts on our remaining businesses. From this year onwards, the Polymers business will be reported as a business segment on its own, in addition to the Pharmaceuticals and Chemicals business segments.

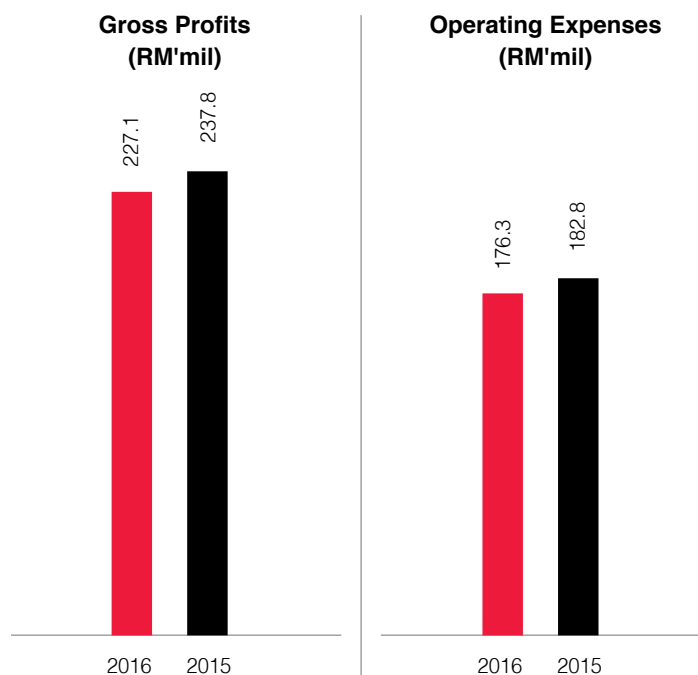
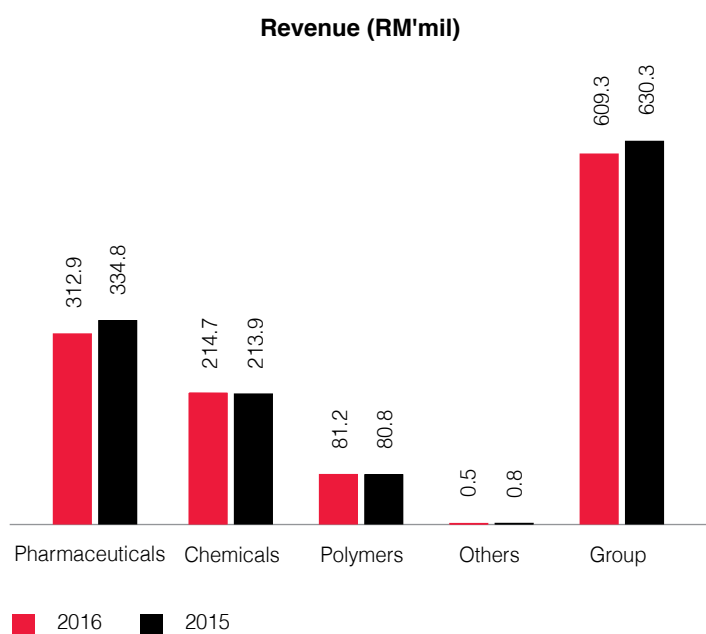
## FINANCIAL HIGHLIGHTS

Overall for financial year 2016, CCM Group posted a net loss of RM83.8 million, primarily driven from another year of losses from our Discontinued Operations; and lower profit contributions from our core businesses.

The data below depicts our key financial results as compared to financial year 2015:

In RM'mil	FY 2016	FY 2015	Variance
<b>Continuing Operations</b>			
Revenue	609.3	630.3	- 3.3%
Profits from operations	55.1	68.1	- 19.0%
Profit before tax	33.6	53.0	- 36.6%
Profit after tax	19.0	28.6	- 33.6%
<b>Discontinued Operations</b>			
Loss from discontinued operations	(102.9)	(101.9)	1.0%
<b>Loss for the year</b>	<b>(83.8)</b>	<b>(73.3)</b>	<b>14.3%</b>

## Continuing Operations



From its continuing businesses, CCM Group registered a decline in revenue of 3.3 percent to RM609.3 million, and its gross profit decreased by 4.5 percent to RM227.1 million; when compared to the financial year 2015. Key drivers to this performance were the decline in demand from its Pharmaceuticals business due to change in sales mix between government and private sectors, and margin compression from both its Pharmaceuticals and Polymers businesses, on the back of increased production costs due to the weakened Ringgit against other major currencies. The causes of the decline are not seen as systemic as we still believe the businesses are robust and will recover.

However, despite inflationary pressure, the Group's operating expenses from its core businesses were 3.6 percent lower when compared to 2015. This was largely attributed to the Group's continuous efforts in driving further efficiencies in its expenditures and overhead costs.

Other income fell to RM4.3 million from RM13.1 million in 2015. Included in the other income for 2015 was the recognition of fair value gains on our investment properties of RM5.8 million. With the slowdown in property market, the market value of our investment properties remained stagnant in 2016, and thus no fair value gains were recognised during the year.



# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Accordingly, the profits from operations for 2016 dipped by 19.0 percent to RM55.1 million from RM68.1 million in the corresponding year 2015.

## Discontinued Operations

The Fertilizers business recorded a net loss of RM102.9 million in the financial year 2016. Apart from operational losses, we have also taken a more prudent position on inventories balance whereby further impairment was made in the year totaling to RM29.4 million.

We have completed the divestment of our subsidiaries in East Malaysia, together with two parcels of land in Bintulu and certain trademarks to Hextar Fertilizers Group on 15 November 2016, which resulted in a net loss of RM24.5 million recognised during the year.

In the second quarter of 2016, we have also completed the disposal of three parcels of land together with the buildings thereon in Medan, Indonesia with a net gain of RM21.5 million.

With the said divestments, we have now completely exited from the Fertilizers business. Our only active subsidiary now in the Fertilizers segment is CCM Fertilizers Sdn. Bhd., whereby its activity is limited to rehabilitating the factory site and selling of remaining inventories.

## Financial Position and Liquidity

The Group remained in a strong financial position as at 31 December 2016 with RM288.3 million in cash and cash equivalents, though a reduction of RM24.4 million from 2015. The net cash outflow for the year 2016 was largely attributed by net repayment of borrowings and planned capital expenditure incurred in 2016. These outflows were partially offset by proceeds received from our divestments of Fertilizers' assets of RM98.9 million during the year.

Total debts as at 31 December 2016 stood at RM621.8 million, a reduction of 12.0 percent as compared to 2015 of RM703.8 million. Net gearing (net debt-to-equity) has improved to 0.37 times from 0.46 times in the year 2015. This reflects our continuous efforts to strengthen our fiscal position, which will give us ample agility to pursue our planned capital expansion and growth strategy going forward.

## RISKS MANAGEMENT

A comprehensive explanation of the Group's approach to risk management and the key risks to the Group is reported in the Report of the Risk Management Committee and Statement on Risk Management and Internal Control, in this Report.

## SEGMENTAL BUSINESS REVIEW

I am pleased to report the financial and operational highlights for each of our business segments for 2016, in the following sections:

### Pharmaceuticals Business

The year under review was a challenging one for our Pharmaceuticals business where it recorded a decline in its revenue by 6.5 percent to RM312.9 million from RM334.8 million for the financial year ended 31 December 2016. Accordingly, the profit before tax ("PBT") declined to RM31.5 million from RM46.1 million reported in the previous financial year due to changes in product mix between Private and Government sales and higher production costs as impacted by a weaker Ringgit.

Although our sales to the Government has declined, sales of our ethical products to the Private Sector yielded a commendable growth of 6.0 percent despite IMS reporting a 1.0 percent growth for the generic market. Our Over-the-Counter sales grew by 2.0 percent with the Private Sector sales growing at 9.0 percent despite a slowdown in consumer spending.

A recent report by QuintilesIMS Institute has forecasted global total spending on medicines will reach an estimate US\$1.5 trillion by 2021, up 33.0 percent from 2016 levels, even as annual growth moderates from the record pace set in 2014 and 2015. At the same time, it was reported that medicine spending will grow at a 4.0 to 7.0 percent compound annual rate during the next five years, down from the nearly 9.0 percent growth level seen in 2014 and 2015. The total global spend for pharmaceuticals through 2021 will increase by US\$367.0 billion on a constant-dollar basis.

In Malaysia, the budget 2017 announced an allocation of RM25.0 billion for the Ministry of Health to boost the quality of healthcare in the country. Among others, RM4.0 billion is allocated for the supply of drugs, consumables, vaccines and reagents to all government hospitals and facilities. All of these paint a positive outlook for the coming years for the pharmaceutical industry.

For us, the prospect for our Pharmaceuticals business remains positive as the Group consolidates its position in the local and regional markets. We will continue rationalizing our business segments with focus on Diabetes, Renal, Oncology and Cardiology care as well as vaccines and also reinforcing our Halal leadership in the country. We have also implemented the Manufacturing Optimisation Strategy which encompasses the rationalisation and upgrading of manufacturing assets in Klang, Bangi and Glenmarie into state-of-the-art facilities with enhanced cGMP (current Good Manufacturing Practice), purpose designed centralised warehouse and distribution hubs targeted for completion in 2018.

For the year under review, we saw PanGen Biotech Inc. ("PanGen") which we acquired a 13.86 percent interest in year 2014 being listed on the Korea Exchange's Korean Securities Dealers Automated Quotations ("KOSDAQ") board under the category of New Growth Engine Companies. Pursuant to the listing on KOSDAQ, our shareholding interest in PanGen diluted to 9.34 percent. This listing did not have material impact on our earnings for this financial year.

Our collaboration with PanGen for the development and manufacturing of Erythropoietin ("EPO") biosimilar treatment for anaemia and end stage renal failure patients has just completed the Phase III Clinical Trial (both in Malaysia and Korea). The clinical trial was closed in January 2017 and the "code break" was conducted in early February 2017. The results of the code break prove that our EPO (code named: PDA10) has similar efficacy with the reference product. This is CCM's first step into the biosimilars arena and it will be the first biotherapeutic product to be developed successfully by a Malaysian company and the second Epoetin-Alfa biosimilar to be developed globally. We expect the product to be launched in the Malaysia market upon receiving the marketing authorisation from National Pharmaceutical Regulatory Agency ("NPRA") (formerly known as National Pharmaceutical Control Bureau ("NPCB")).

We are currently retrofitting our Cephalosporin plant in Glenmarie, Selangor into a High Potency Active Pharmaceutical Ingredients ("HAPI") plant, the first of its kind in the country to jumpstart our foray in the oncology segment while widening our portfolio of generic cancer therapies in Malaysia and across Asia. The investment for this initiative is RM33.4 million and is expected to be completed by end 2018.

We also inked a technological partnership with Natco Pharma Limited, India to aid us to widen our product portfolio capabilities in offering generic oncology medicines to treat breast cancer, lung cancer, colorectal cancer, cervical cancer and blood cancer. The year also saw us introducing two new ethical products for cancer treatment, *Kytron* and *Letronat*. *Kytron* is an antiemetic used to treat nausea and vomiting due to the side effects of chemotherapy while *Letronat* is an oral non-steroidal aromatase inhibitor for the treatment of hormonally-responsive breast cancer after surgery.

The Group also launched the Lavender Ribbon Campaign to initiate our Cancer Care Franchise in December 2016 with the name, *ACE*, an acronym for *Accessibility, Commitment* and *Excellence*. This initiative entails us to work closely with various cancer-related Non-Governmental Organisations ("NGOs") in raising awareness for early detection of cancer and counselling assistance to cancer patients and caregivers.

Our Diabetes Care portfolio carries the theme "Working Together Against Diabetes". We launched the country's first insulin glargine biosimilar, *Basalog*® which is a long acting (24 hours) peakless human insulin analog in Q4 2016. Our strategic partnership with Biocon Ltd., India for exclusive distribution rights to market, sell and distribute their range of insulin products, *Insugen*® launched in 2014 and *Basalog*® to Malaysia will offer diabetes patients in Malaysia with a more affordable insulin therapy for their disease. In December 2016, the Malaysian Ministry of Health awarded a Letter of Award to our subsidiary, CCM Pharmaceuticals Sdn. Bhd. to supply Human Insulin to all government hospitals and clinics valued at RM300 million over three years until 2019.

On the Over-the-Counter ("OTC") business, we launched a new product under the *CHAMPS* brand. We offered *CHAMPS* Vitamin C 30mg to cater to the younger age group of 2 to 6 years category which requires a lower dosage consumption. In our continuous bid to create brand awareness of our products, we carried out a livery change to our *Uphamol* and *Dermoplex* range of products. This was done to ensure our packaging is vibrant and will stand out amongst other competitors.

# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

The year 2016 also saw the Pharmaceuticals business receiving numerous awards for their commitment and perseverance to provide excellent quality products for our consumers. The Pharmaceuticals business received the 'Best Brand in Malaysia' from the International Congress of the Economic Relations' Development in the Health Field with the Focus on Islamic Countries, Pharmaceutical Company of the Year – Generics Market from Frost & Sullivan and Best in Sustainability Reporting (RM500 mil - RM950 mil category) by Focus Malaysia. It was also in the third placing for the Excellence Award for Top Corporate Governance and Performance under the Special Category for Market Cap Between RM300 million to RM1 billion and Merit Award for the Best Annual General Meeting by the Minority Shareholder Watchdog Group ("MSWG") and was also a finalist in the award for "HR Asia Best Companies To Work For In Asia 2016".

We are aware that some of challenges from 2016 will remain in the coming years. These include expanding product portfolios to remain competitive, the weaker Ringgit which results in higher cost of imported raw materials, and also cost of increased cGMP compliance. However, we are confident that our strategy remains robust and that the Manufacturing Optimising Strategy in place will remain as a key lever to push us through the challenges.

## Chemicals Business

Strong performance was shown in our Chemicals business, where its PBT rose to RM18.0 million in financial year 2016 from RM6.6 million in 2015. Its revenue for the year grew by only 0.4 percent to RM214.7 million from RM213.9 million in 2015, as the year 2016 saw the full impact of closure of its regional businesses; which contributed RM17.5 million in revenue for year 2015 and also a prolonged shut down at its facility in Pasir Gudang for upgrading and modernisation works.

The year 2016 saw a commendable performance from the Chemicals business on the back of a strong demand from the water industry, concurrently riding on higher average selling prices of its chlor alkali products, coupled with successful operational efficiency initiatives undertaken throughout the business resulting in significant improvement in its margins. We believe the business is now fundamentally strong and will continue to be a key contributor to the Group's overall profitability.

2016 saw the water industry in Malaysia undergoing significant transformation that was in line with the Government's goal to elevate the industry's operational capability towards global standards. The relatively healthy economy coupled with rapid population growth had contributed to an increase in demand for clean water. In tandem with this, demand for high quality water treatment chemicals such as chlorine and polyaluminium chloride ("PAC") manufactured in our plant in Pasir Gudang has been strong. Demand for chlorine from the rubber glove manufacturers also remained robust given the industry's rapid growth in recent times.

The Asia Pacific caustic soda market saw a shortage of supply during the second half of 2016 arising from lower exports from Japan. This has caused strong competition for limited available supply, thus pushing prices up. On the domestic front, the weaker Ringgit has also contributed to higher domestic market prices for caustic soda.

During the year under review, our Chemicals business embarked on a major upgrading and modernisation exercise of our chlor alkali plant in Pasir Gudang. It was successfully completed according to schedule within the allocated budget. The upgraded and modernised plant is equipped with the latest energy-efficient membrane cell technology, four new electrolyzers as well as a new liquefaction plant, was successfully commissioned in December 2016. We are pleased to note that our chlor alkali plant is now operating at a similar or better level of efficiency as compared to other chlor alkali plants in the region.

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.

On the Safety, Health and Environment ("SHE") front, we are pleased to note that the Chemicals business was awarded a number of industry awards; including three Gold Awards for Product Stewardship Code, Distribution Code and the Pollution Prevention Code and three Silver Awards for the Community Awareness & Emergency Response Code, Employee Health & Safety Code and the Process Safety Code by the Chemical Industries Council of Malaysia ("CICM").



## Polymers Business

Our Polymers business performed relatively well, where it recorded a PBT of RM17.7 million in the year 2016, even though this is a reduction of 29.8 percent from the previous year. The revenue remained stable at RM81.2 million from RM80.8 million in the year 2015, despite the contraction of average selling price experienced in the first half of 2016 and challenges with foreign exchange fluctuations. The market has also become highly competitive with the influx of new capacity added into the industry.

World glove demand remained robust as gloves remained a necessity in the healthcare industry as the most basic form of protection against diseases. Malaysia remained the world's number one rubber gloves producing country, supplying 63.0 percent of the global market share.

According to the Malaysian Rubber Glove Manufacturers ("MARGMA"), the growth in global demand for rubber gloves is expected to be maintained at 8.0 percent to 10.0 percent in 2017. This is supported by continuous demand from the ageing population in developed markets such as the US, EU and Japan. Improved healthcare awareness, progressive emphasis on healthcare regulations and increasing resources allocated to the wellbeing of the high population density countries such as India, China and the Middle East are drivers for the rising demand from emerging markets. On a per capita basis, the US and EU still lead at approximately 100 gloves per capita per annum compared with an approximate of 11 gloves per capita in Asia. With a healthy economic growth and increased healthcare awareness from these countries in Asia, it will trigger a strong potential demand for rubber gloves that could further increase the growth above the projected growth rate. Rising pandemic diseases could also potentially create spikes in the demand for rubber gloves.

Due to the resilient global demand for rubber gloves, glove manufacturers have responded by accelerating their capacity expansion as well as improvement in their production efficiency. Contraction of average selling price ("ASP") was experienced mainly in the first half of 2016 due to heightened competition driven by the influx of new capacity added. Higher raw material prices following weakening of the Ringgit and rising production costs remain an issue.

On 22 March 2016, the US Food and Drug Administration ("FDA") published a Federal Register notice proposing to ban powdered surgeons' gloves, powdered patient evaluation gloves and absorbable powder for lubricating surgeons' gloves. The proposed regulation, if finalised, will ban the powdered gloves currently being used in the marketplace, making them adulterated and subject to enforcement action.

Our Polymers business with primary focused on the supply of polymer coating system for the manufacturing of powder-free rubber gloves will benefit from the glove production expansion and higher global glove demand. To keep abreast with the advancement in gloves manufacturing technology and its application performance, we continue to enhance our research and development capability and resources; at the same time, widen our product offering whilst expanding and developing current products.

We are continuously working with our various stakeholders; customers and suppliers included, as well as research centres for the development of high impact products. This gives us the exposure and to gain access to the latest technologies and modern glove application requirements to facilitate our product enhancement initiatives. Furthermore, a Memorandum of Understanding ("MOU") was signed with Monash University of Malaysia in March 2016 for co-development of advanced materials to provide unique performance feature targeted for specialty gloves.

## Fertilizers Business

The Fertilizers business posted another year of losses at RM102.9 million, from a net loss of RM101.9 million in 2015. The losses were attributed from its operating activities, impairments made on inventories and receivables, and net losses recorded on disposals of all *Assets held For Sale* during the year. Our Fertilizers business recorded revenue of RM145.9 million during the year 2016, a decrease by 60.3 percent when compared to 2015 of RM367.5 million. Pursuant to the decision to exit the fertilizers business, the subsidiaries focused its operational activities to selling of existing inventories and fulfilling already awarded tender obligations from the plantation companies.

On 15 November 2016, we concluded the divestment of CCM Agriculture (Sabah) Sdn. Bhd. and CCM Agriculture Sdn. Bhd. to Hextar Fertilizers Group Sdn. Bhd. for a total sum of RM40.8 million. The divestment included certain trademarks relating to the Cock's Head brand and the two parcels of land including the buildings thereon in Bintulu, Sarawak. The Group recorded a net loss of RM24.5 million from the said divestment.

# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

We also completed the disposal of three parcels of land in Medan, Indonesia together with the building thereon by P.T. CCM Agripharma to P.T. Feedmill Indonesia for IDR121.8 billion on 20 May 2016. We recognised a net gain of RM21.5 million from these disposals.

As for the land in Shah Alam, we have started working on the restoration of the site to an acceptable condition in 2016 and will continue with the dismantling, demolishing and restoration phases which are expected to be completed by 2019.

We would also wish to note that this year would be the last reporting on our Fertilizers business. Any updates henceforth, will be reported as an overall Group operations. We thank you for all your support towards our Fertilizers business throughout the years and we hope to continuously serve you better through our other businesses.

## Halal

On the Halal front, we continued our efforts on the national Halal agenda through our active involvement in developing standards for chemical and pharmaceutical products. Among others, the Company participated in various workshops and technical working groups led by Jabatan Kemajuan Islam Malaysia (“JAKIM”) and the Halal Industry Development Corporation (“HDC”).

CCM has also actively organised seminars, talks and discussions on Halal awareness since 2007. On 21 December 2016, we hosted a Halal symposium entitled ‘Malaysia Global Leadership in Halal Pharmaceuticals’ for 200 delegates from the pharmacy fraternity. This was held in collaboration with JAKIM, HDC, Standards Malaysia, Ministry of Defence (“MinDef”) and Malaysian Pharmaceutical Society (“MPS”).

CCM’s top management also participated in the annual JAKIM International Halal Certification Bodies Convention with CCM’s Halal Assurance Management System, which was officiated in March 2016. Our Halal journey was further affirmed to be the right strategy when we created another milestone with JAKIM as the first Halal certifying body to certify controlled/prescriptive medicines (Ethical Products) based on the world’s first Halal pharmaceutical standard MS 2424:2012 Halal Pharmaceuticals – General Guidelines to CCM during a special award ceremony at Pullman Putrajaya in February 2017.

As always, we will continue to raise awareness on Halal pharmaceuticals to ensure Muslims have the option for Halal alternatives and also able to meet their Islamic obligations.

## Bumiputera Empowerment

To support the Government’s efforts to create a “Bumiputera Commercial and Industrial Community” (*Masyarakat Pemiagaan dan Perindustrian Bumiputera*) under the *Majlis Ekonomi Bumiputera* (“MEB”), CCM established the Bumiputera Vendor Development Programme (“BVDP”) to develop its own pool of capable Bumiputera vendors to tap into the game-changing opportunities for Bumiputeras in Halal pharmaceuticals and also in the chemicals and polymer industries.

Our recognition as an industry driver in the Halal arena helps to expand market potentials for Halal compliant vendors, including manufacturers, importing agents and logistics providers in making Malaysia the global leader in Halal Pharmaceuticals which has a global potential of US\$132.0 billion by 2021.

We strongly believe that our Bumiputera entrepreneurs have the knowledge and experience on Halal matters and they will be the key driving force behind the Halal Pharmaceuticals ecosystem, making Malaysia the global thought leader for this industry through the convergence of minds – Shariah and Science, opening opportunities for research and development in terms of products, services and also key reference documents.

A workshop, themed “*Spurring the Bumiputera Agenda through BVDP*” that involved pocket-talks, knowledge-sharing sessions and business clinics was organised to serve as a valuable platform for our BVDP participants to gain beneficial insights on various areas including business facilitation and enablement. A series of pocket-talks were presented by the Technical Agencies of the Ministry of International Trade and Industry (“MITI”) with topics including technology commercialisation, Enterprise Innovation and Intervention Programme (“EIIIP”) and ideal technology partners for small and medium enterprises (“SMEs”) as well as an overview of Halal logistics.

## OUTLOOK

The year 2017 looks set to be as challenging on the economic front as 2016 was. Within this environment, we believe that there are opportunities to make progress in all our key business segments based on their respective business strategies and plan.

With the exit from the Fertilizers business, our financial position will be more predictable and solid.

The Pharmaceuticals business’ Manufacturing Optimisation Strategy together with its various collaborative efforts on new product portfolios, the improvement in operational efficiency level of our newly modernised chlor alkali plant and continuous expansion of product offerings of our Polymers business; are aptly crafted to drive the sustainability of our Company.

## ACKNOWLEDGEMENT

The year 2016 saw its fair share of ups and downs but we are positive that all our stumbling blocks will serve as stepping stones for success in the coming years. We believe that we are where we are today because of the unending support from our stakeholders, employees, shareholders and customers.

On that note, we recently welcomed Datuk Nik Moustpha bin Haji Nik Hassan to join the CCM Board while our subsidiary, CCM Duopharma Biotech Berhad (“CCMD”) saw the retirement of Tan Sri Dato’ Dr. Abu Bakar bin Suleiman and Tan Sri Dato’ Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam and the resignations of Datuk Alias bin Ali and Dato’ Haji Ghazali bin Awang in 2016 while Dr. Byung-Geon Rhee resigned in February 2017. We thank all of them for their past contribution and for paving the strategic journey to take CCMD to greater heights.

Meanwhile, our welcome to Dato’ Hajah Normala binti Abdul Samad as the new Chairman for both CCM and CCMD and also Tan Sri Siti Sa’diah binti Sh. Bakir, Dato’ Azmi bin Mohd Ali, Razalee bin Amin, Puan Sri Datuk Rohani Parkash binti Abdullah, Zaiton binti Jamaluddin and Dato’ Eisah binti A. Rahman who have been appointed as new Board members of CCMD.

I would also like to acknowledge all our stakeholders, particularly our shareholders, employees, customers and business partners for their commitment and support rendered throughout our years of operation. We look forward to strive ahead with the tenacity and vigour that has often driven us to success.

Thank you.

## LEONARD ARIFF BIN ABDUL SHATAR

Group Managing Director

# SUSTAINABILITY & CORPORATE RESPONSIBILITY

## SUSTAINABILITY AT CCM

Sustainability has been a guiding principle within CCM. Today, sustainability is integrated throughout our entire business, allowing us to maximise opportunities in areas such as innovation, community development and value creation.

Sustainability is a strategic priority for us. We seek opportunities to leverage our influence as the leader in each of the sectors in which we operate to further the sustainable development agenda of our nation. Our holistic approach to sustainability is achieved by successfully integrating social, environmental and economic aspects into our business operations. As we take steps in our sustainability journey, we are more convinced of our role than ever to achieve a better way of living and working to enhance the quality of life of all our stakeholders. Each of our businesses takes a proactive role by reaching out to stakeholders and positively affecting their lives.

## VALUING OUR STAKEHOLDERS

We have a long history of stakeholder engagement and are committed to engaging in constructive and meaningful dialogue with stakeholders. Effective communication helps us to build trust, leverage their expertise and gain insights into the most pressing issues. Stakeholder engagement helps us to reaffirm the most material issues and devise ways to address them within the Group.

## ECONOMIC

CCM is a Government-linked company and is presently one of the largest manufacturers of pharmaceuticals, chemicals and polymers in Malaysia. It also has regional offices in Singapore, Indonesia and the Philippines. CCM has set benchmarks by implementing responsible, sustainable and consistent compliance procedures throughout the Group to meet the growing needs, domestically and overseas.

Championing Halal initiatives for more than a decade, CCM has emerged as a leading Halal industry driver within the region. Growing alongside the Malaysian economy, we have made significant contributions to the country's development to nationhood. We generate economic value for nations, regions and communities by providing employment, paying taxes, supporting local goods and services and developing infrastructure. We consider it as our responsibility to make a broader contribution to sustainable development in the communities in which we operate and invest in national projects.

We work in partnership with local communities, the Government, NGOs and industry experts in realising our vision of 'Enhancing Quality of Life'. As a key player in the pharmaceuticals, chemicals and polymer industries, we continue to assume a leadership role to intensify efforts and strengthen ties with industry peers.

## ENVIRONMENTAL

CCM has a long standing commitment on managing our environmental footprint. We address key impacts across our businesses and focus on continuous improvement, with particular emphasis in the areas that are most relevant to each business.

We continuously evaluate on how we can reduce the environmental impact of our operations and in the manufacturing of our products. At CCM, we focus the bulk of our environmental sustainability efforts in two complementary areas: minimising the environmental footprint of our operations and supply chain, and reducing the environmental impact of our products and packaging. We also engage our employees, customers and communities to promote a culture of environmental responsibility.

### Wastewater Recovery Project

All CCM manufacturing plants are equipped with wastewater treatment facilities. We embarked on a wastewater recovery project for our polyaluminium chloride ("PAC") plant in Pasir Gudang which was successfully completed in April 2016 to manage the wastewater generated to ensure our compliance with Environment Quality (Industrial Effluent) Regulations 2009.

### Styrofoam-free Initiatives

CCM headquarters initiated and launched a project called "Project Styro free zone", ahead of the Government's initiative to enforce the ban on the usage of *Styrofoam* to discourage, reduce or perhaps eliminate its usage in view of its negative effects on our health and the environment.

### Program Rakan Saintis Sungai CCM ("RSS")

Program Rakan Saintis Sungai CCM raises awareness by educating primary and secondary schools students on the importance of environmental conservation, emphasising river health in particular.

CCM worked closely with the Department of Environment and various institutions in advocating the importance of preserving our natural water resources. This holistic approach educated school-goers on the importance of environmental conservation and protecting our natural resources.



## SOCIAL: SOCIETY

We view investment in communities as an instrument for contributing to the development of the societies where we operate. We are committed to enhancing the well-being of the community with our direct financial support, voluntary participation by employees in humanitarian projects, fundraising activities, partnership with organisations and other philanthropic causes.

### Building Love Starts Young with CHAMPS

Our Pharmaceuticals business launched the 'Building Love Starts Young' campaign through one of its established brands, CHAMPS in collaboration with the National Autism Society of Malaysia ("NASOM") to address misconceptions and raise awareness of autism to children and the public.

Our pledge to contribute 50 sen to NASOM for every bottle of CHAMPS Vitamin C sold during the campaign period yielded RM44,217.50 which was presented to NASOM on 26 August 2016.

### CCM Supports Care for Parkinson's Disease

Parkinson's disease ("PD") is a debilitating progressive disease of the nervous system marked by tremor, muscular rigidity and slow, imprecise movement. With no known cure, PD takes a toll on a patient's mobility day by day.

As a leading manufacturer of pharmaceuticals, CCM takes on the responsible role of fighting this disease, providing patient care and boosting morale. CCM contributed RM100,000 to the Perak Parkinson Association ("PPA") in April 2016 for 40 representatives, including local medical professionals, to participate in the World Parkinson Congress ("WPC") that was held in Portland, Oregon, USA in September 2016 to enable them to interact with global professionals and obtain first-hand information on research, treatment, diagnosis and living with PD.

### CCM Improves Diabetes Treatment

Diabetes is a disease that occurs when a person's blood sugar level is too high. Worryingly, 3.5 million or 17.5 percent of Malaysian citizens aged 18 years and above have this disease - the highest number in ASEAN. CCM launched *Basalog®* on 13 November 2016 with the introduction of the first insulin glargine biosimilar in Malaysia.

*Basalog®*, as approved by the National Pharmaceutical Regulatory Agency ("NPRA"), has passed strenuous international tests and approvals in highly-regulated markets such as Japan. Treatment with *Basalog®* being more competitively priced and can ensure blood sugar levels to remain constant for up to 24 hours for both Type 1 and Type 2 diabetes.

## CCM PINTAR Programme

Promoting Intelligence, Nurturing Talent and Advocating Responsibility ("PINTAR") is a school adoption programme inspired by Yayasan Pintar. Supported by Government-linked Companies ("GLCs") and some private corporations in Malaysia, this programme aims to improve socio-economic standards through educational achievement.

Our involvement in the PINTAR programme began in 2007 and we have adopted 15 schools to date. Our involvement focuses on increasing English proficiency of students and providing funding to support teaching and learning aids.

The CCM PINTAR Programme has touched more than 8,800 lives including students, teachers, parents and community members in the surrounding areas where the adopted schools are located.

## CCM Jalanan Antara Universiti Dan Industri ("JATI")

CCM JATI is a collaboration between CCM and public universities. This three-year capacity building programme provides pharmacy undergraduates with a holistic industry overview and develops their entrepreneurial capabilities as they venture into working life. These undergraduates are exposed to marketing, business management and hands-on retailing through interaction with CCM professionals and training sessions.

## Skim Latihan 1Malaysia Programme

CCM supported the national human capital development through its parent company, Permodalan Nasional Berhad under the Skim Latihan 1Malaysia ("SL1M") programme to provide on-the-job training to unemployed graduates so as to enhance their employability. CCM took in 58 trainees under this scheme with 15 of them being absorbed into the CCM workforce in 2016.

## SOCIAL: LABOUR PRACTICES

Our employees are a vital factor for success in our competitive environment and we value our human capital. An important part of our sustainability strategy focuses on our internal operations, namely those related to our employees.

### Employee Engagement

Our success depends on our people performing to the best of their abilities. To achieve this, they must feel motivated, connected and valued. Numerous initiatives have been held to foster teamwork and interpersonal relationships between employees of all levels to ensure our employees are continuously engaged and motivated.

# SUSTAINABILITY & CORPORATE RESPONSIBILITY (Cont'd)

Our 2016 engagement survey shows an overall improved results of 82 percent compared to 77 percent in 2015. This result shows our employees are engaged and motivated which will ultimately cascade to an overall culture built on the Company's Core Values.

### Kelab Sukan CCM

Kelab Sukan CCM ("KSCCM") acts as an informal platform for employees to come together and interact on matters informally. A series of activities were organised which saw remarkable participation among its members.

### my Millennial Apprentice Programme

The my Millennial Apprentice Programme ("myMAP") was introduced in 2014 to transform the Company into a talent-powered organisation that targets the new generation of graduates in the market. We recruited 13 graduates from different disciplines in 2016 for this 18-month programme.

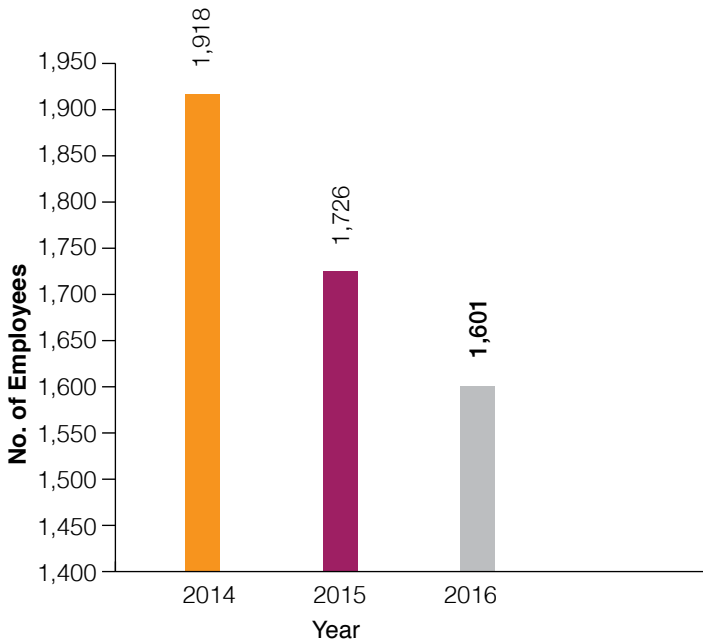
### my Career Acceleration Programme

CCM's my Career Acceleration Programme ("myCAP") launched in 2013, is a collaboration with the Department of Skills Development ("DSD"), an agency under the Ministry of Human Resources to develop and further train our non-executive employees to strengthen their skills, competencies and capabilities in order to promote greater career growth and mobility. 21 of our employees were certified with Sijil Kemahiran Malaysia ("SKM") in 2016.

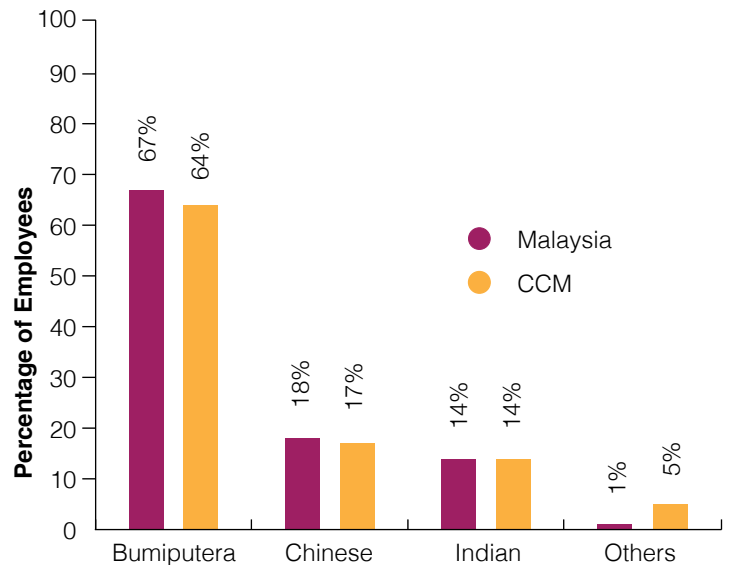
### Diversity

CCM welcomes diversity and the benefits that the differences between people can bring to the Company. Workplace diversity fosters mutual respect among employees. Diversity not only involves how people perceive themselves, but how they perceive others, and those perceptions affect their interaction with their peers.

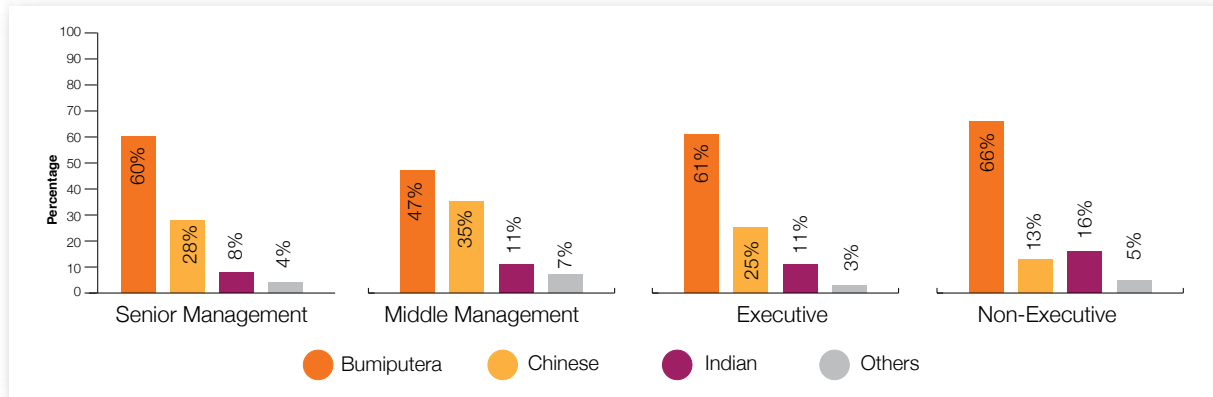
Total No. of Employees



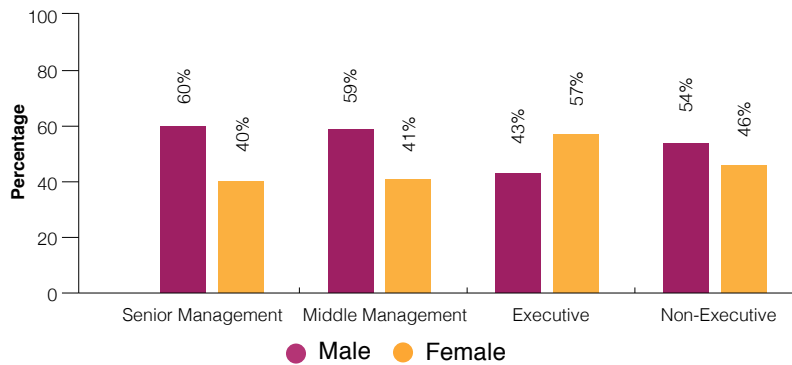
Ethnicity at CCM



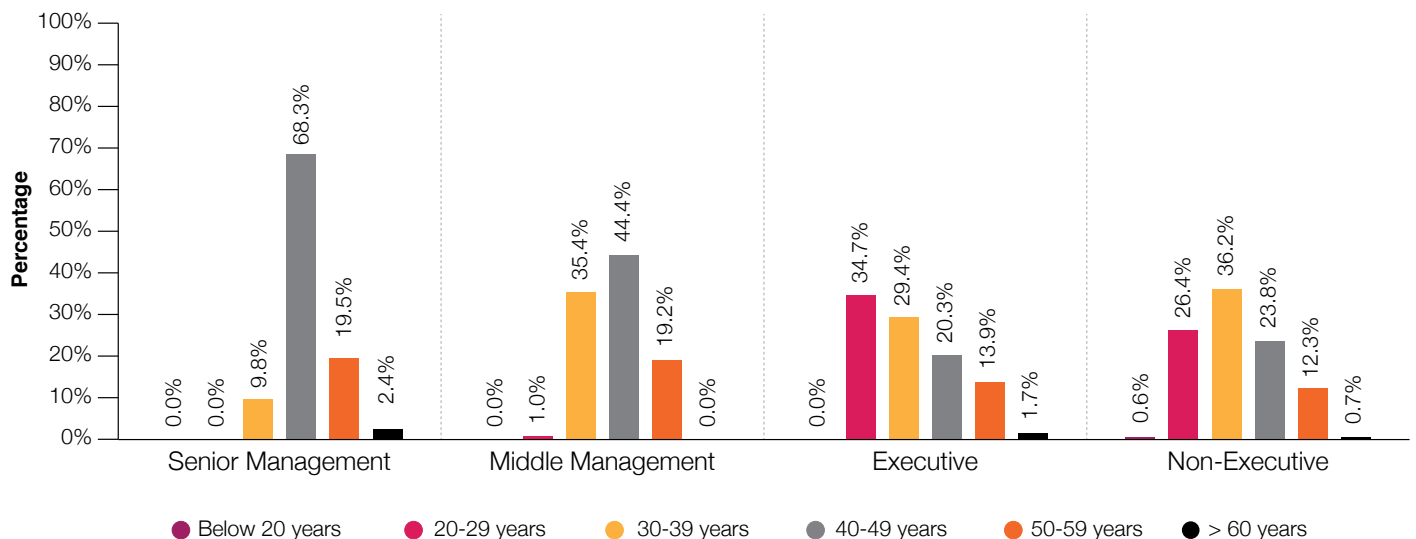
### Breakdown by Ethnicity



### Breakdown by Gender



### Breakdown by Age



Full disclosure of our sustainability efforts can be found in our CCM Sustainability Report 2016 which is available on the Company's website, [www.ccMBERHAD.com](http://www.ccMBERHAD.com)

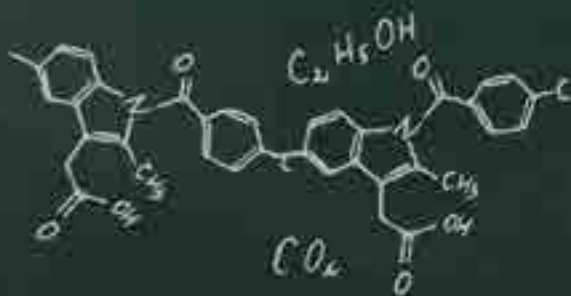






# FULFILLING COMMITMENTS

We collaborate closely with our customers to deliver profitable solutions that address market needs and trends of today and tomorrow, while remaining resolute in delivering our commitments.



# CALENDAR OF MAJOR EVENTS

**27-30 JAN 2016**

CCM's contribution to the development of golf through the sponsorship of the PGM CCM Rahman Putra Championship



**22 FEB 2016**

CCM Pharmaceuticals Sdn. Bhd. awarded *Best Brand in Malaysia* at the International Congress of the Economic Relations' Development in the Health Field with the Focus on Islamic Countries



**1 MAR 2016**

CCM won the Industry Excellence Award in the Healthcare Sector by Utusan Malaysia



**14 APR 2016**

CCM Pharmaceuticals Sdn. Bhd. bestowed with the Frost & Sullivan Award for *Pharmaceutical Company of the Year - Generics Market*



**20-30 APR 2016**

CCM's participation at the annual *Minggu Saham Amanah Malaysia* in Tapah, Perak Darul Ridzuan



**22 MAY 2016**

Sahabat Korporat Tabung Haji





**25 MAY 2016**  
Annual General Meeting of CCM Duopharma Biotech Berhad



**21 JUN 2016**  
CCM Innovative Solutions Sdn. Bhd. is now known as CCM Polymers Sdn. Bhd.



**26 MAY 2016**  
Annual General Meeting of Chemical Company of Malaysia Berhad



**30 JUN 2016**  
Divestment of CCM Fertilizers business to Hextar Fertilizers Group Sdn. Bhd.



**WINNER**  
RM500 MIL - RM950 MIL  
BEST IN SUSTAINABILITY REPORTING  
CCM DUOPHARMA BIOTECH BHD



**14 OCT 2016**  
CCM Duopharma Biotech Berhad won Best in Sustainability Reporting (RM500 mil - RM950 mil category) by Focus Malaysia

**29 OCT 2016**  
CCM Duopharma Biotech Berhad awarded the HR Asia Best Companies To Work For In Asia 2016



# CALENDAR OF MAJOR EVENTS (Cont'd)



**31 OCT 2016**  
CCM Pharmaceuticals Sdn. Bhd. inking a partnership with Becton Dickinson for our needles business



**7 NOV 2016**  
Selangor Excellence Business Award 2016 - Pharmaceutical by Dewan Perniagaan Melayu Malaysia Negeri Selangor



**13 NOV 2016**  
Launch of *Basalog*<sup>®</sup> - Winning Together Against Diabetes



**2 DEC 2016**  
CCM Chemicals Sdn. Bhd. awarded the CICM Responsible Care Awards



**7 DEC 2016**  
Launch of Lavender Ribbon Campaign



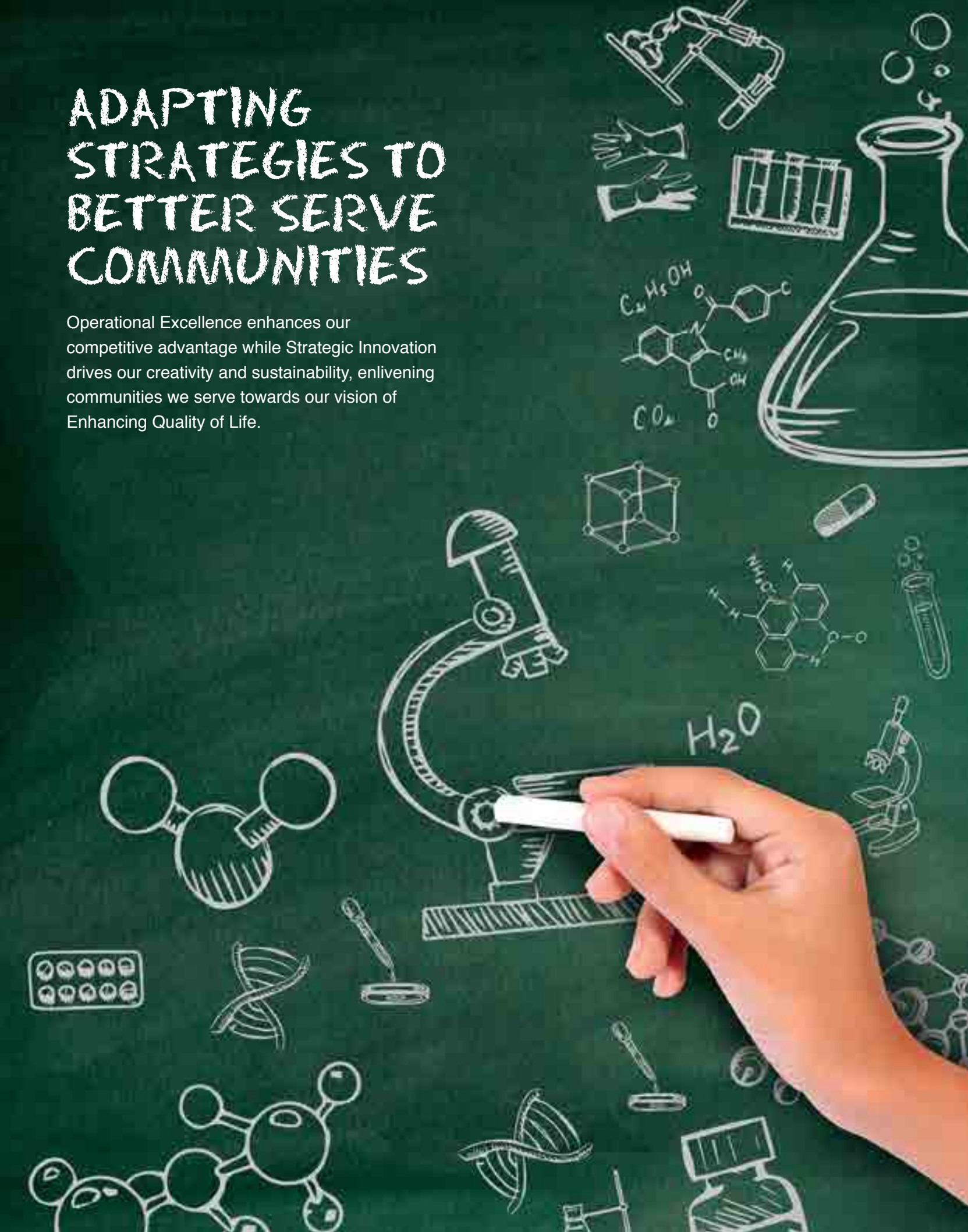
**15 DEC 2016**  
3rd Placing Excellence Award for TOP CG and Performance – MSWG (Special Category) for Market Cap Between RM300 million to RM1 billion and Merit Award for Best AGM Market Cap Below RM300 million for CCM Duopharma Biotech Berhad





# ADAPTING STRATEGIES TO BETTER SERVE COMMUNITIES

Operational Excellence enhances our competitive advantage while Strategic Innovation drives our creativity and sustainability, enlivening communities we serve towards our vision of Enhancing Quality of Life.



# CORPORATE INFORMATION

## COMPANY SECRETARIES

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

## REGISTERED OFFICE

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

## WORKS

Shah Alam, Pasir Gudang, Bangi,  
Glenmarie, Klang

## REGISTRAR

### **Symphony Share Registrars Sdn. Bhd.**

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

## AUDITORS

### **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

### **AmBank (M) Berhad**

Level 1, Menara Dion  
Jalan Sultan Ismail  
50250 Kuala Lumpur

### **Affin Islamic Bank Berhad**

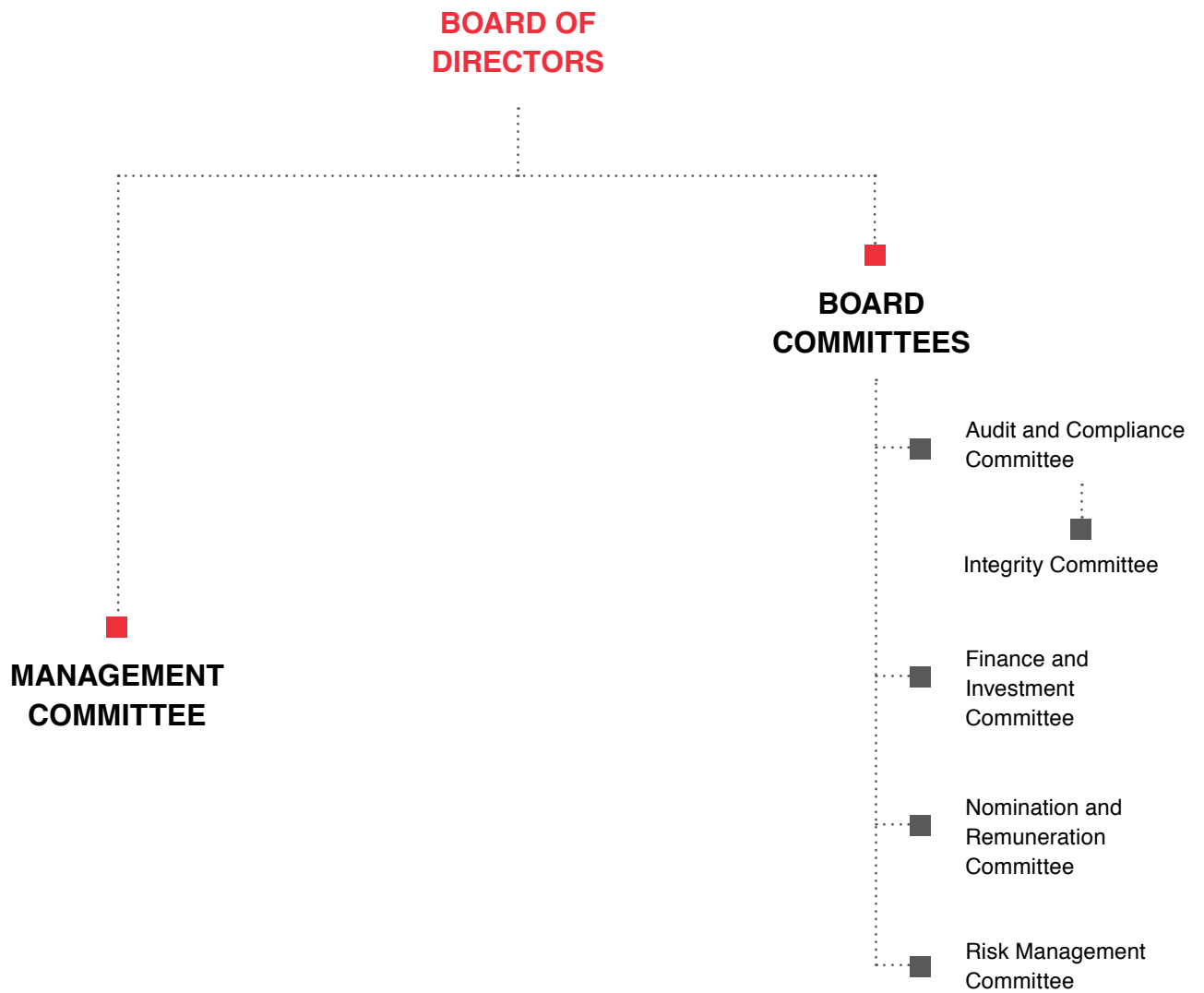
17<sup>th</sup> Floor, Menara Affin  
80, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel : 03-2055 9000  
Fax : 03-2026 1415

## SOLICITOR

### **Raja, Darryl & Loh**

18<sup>th</sup> Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur  
Tel : 03-2694 9999  
Fax : 03-2693 3823

# BOARD AND MANAGEMENT STRUCTURE

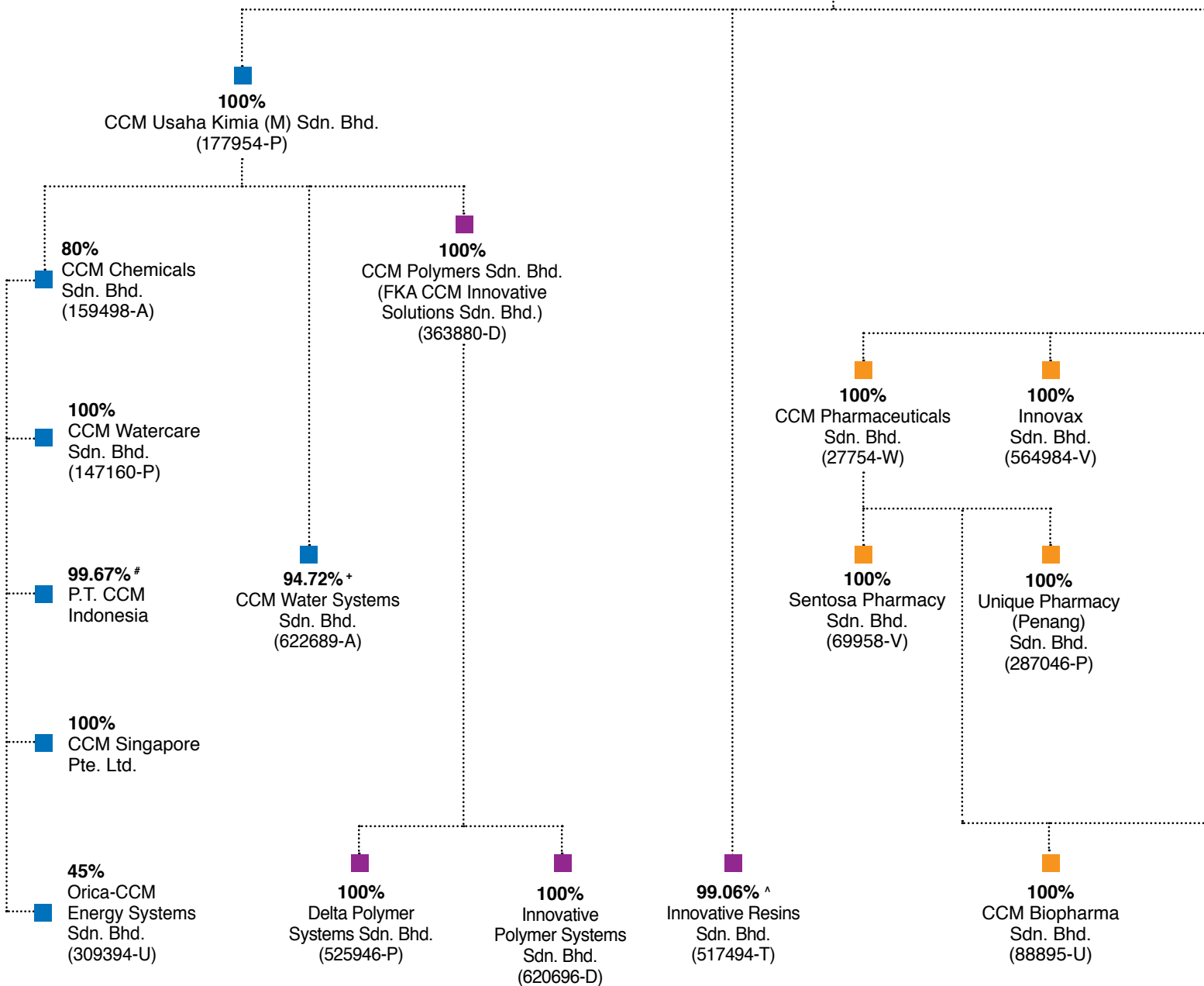


# GROUP STRUCTURE

as at 31 March 2017



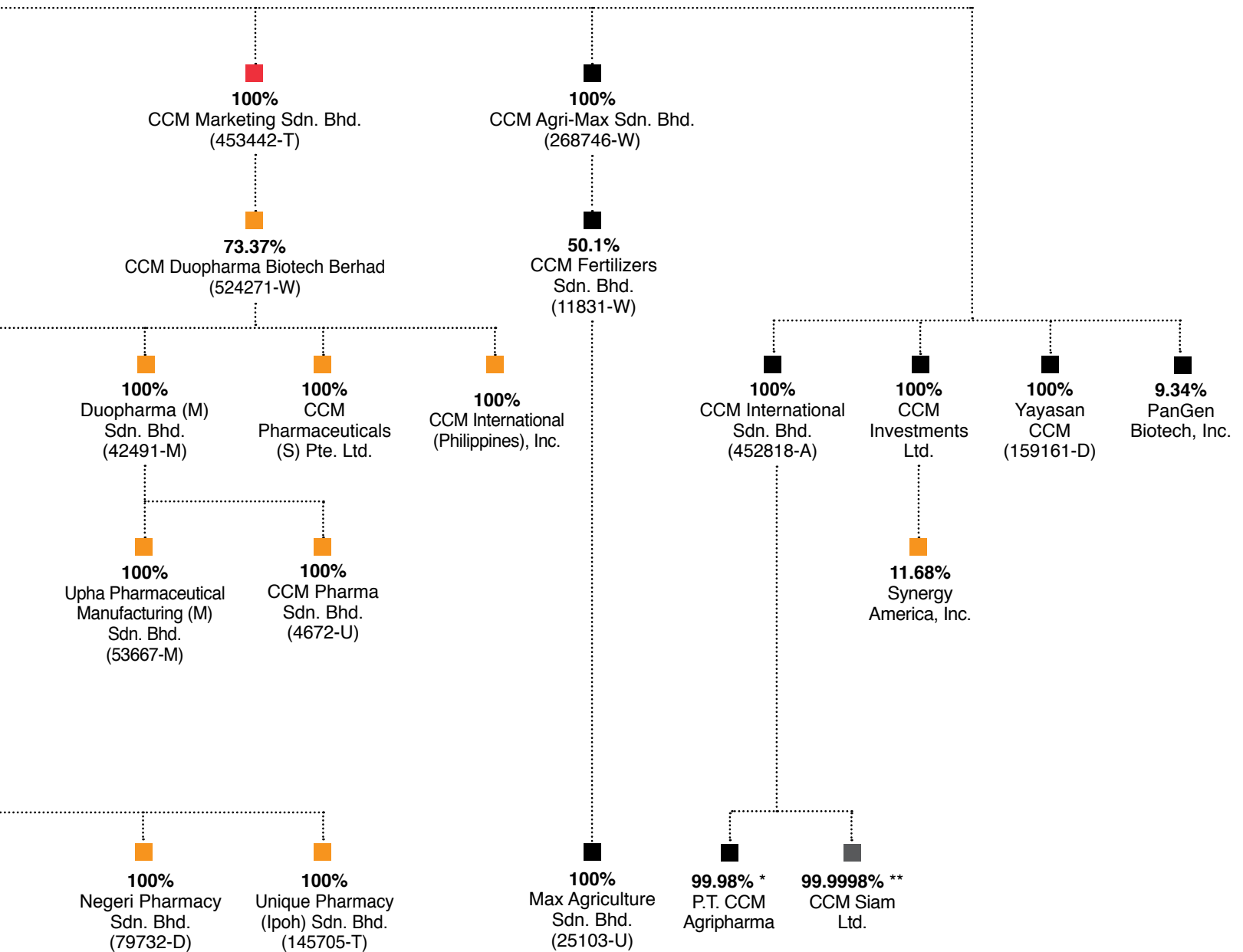
CHEMICAL COMPANY  
OF MALAYSIA BERHAD  
(5136-T)





- # 0.33% held by CCM Watercare Sdn. Bhd.
- + 5.28% held by CCM
- ^ 0.94% held by CCM Usaha Kimia (M) Sdn. Bhd.
- \* 0.02% held by CCM
- \*\* 0.0001% held by CCM Marketing Sdn. Bhd. and 0.0001% held by Innovative Resins Sdn. Bhd

- Chemical Company of Malaysia Berhad
- Pharmaceuticals Business
- Chemicals Business
- Polymers Business
- Others

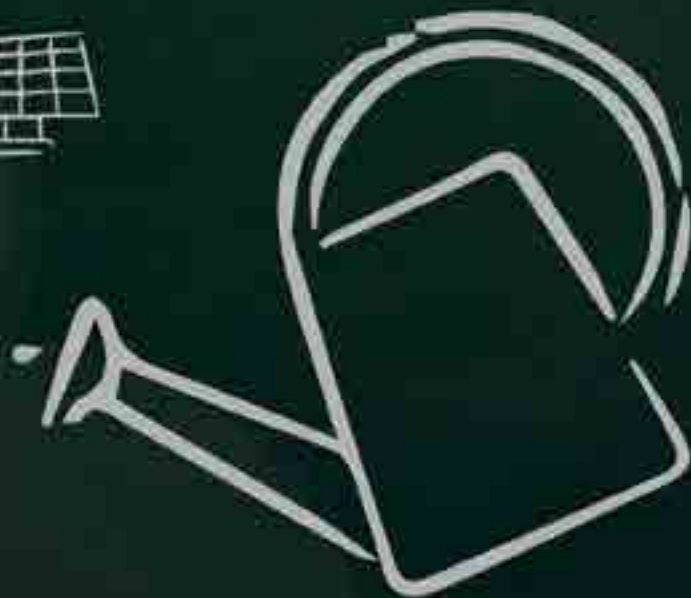
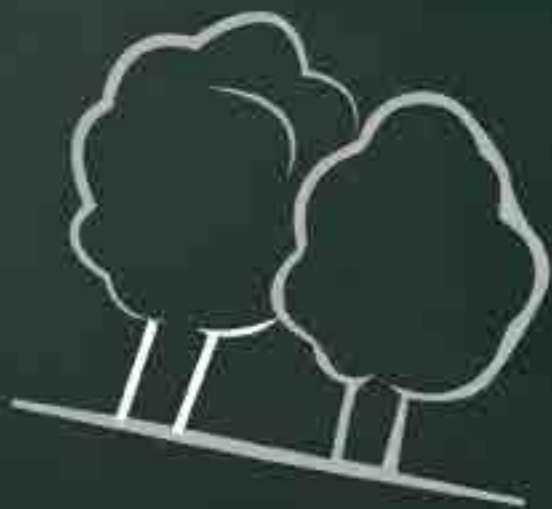






# ENHANCING SUSTAINABILITY

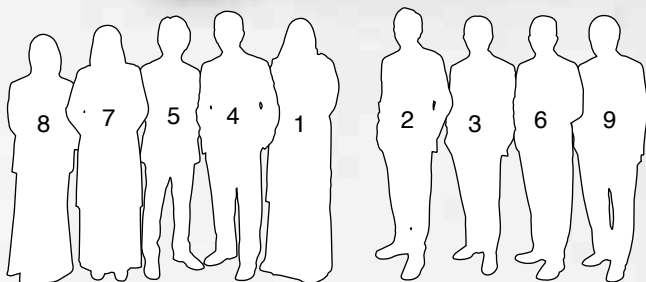
We ensure that the principles of sustainable development are embedded in our activities and products to protect the future by making the right choices in caring for the environment and the community we operate in.





# BOARD OF DIRECTORS





1. Dato' Hajah Normala binti Abdul Samad
2. Leonard Ariff bin Abdul Shatar
3. Dato' Azmi bin Mohd Ali
4. Khalid bin Sufat
5. Dr. Leong Chik Weng
6. Dato' Seri Ir. Dr. Zaini bin Ujang
7. Datin Paduka Kartini binti Haji Abdul Manaf
8. Tan Sri Datin Paduka Siti Sa'diah binti Sh. Bakir
9. Datuk Nik Moustpha bin Haji Nik Hassan



# BOARD OF DIRECTORS (Cont'd)

## DATO' HAJAH NORMALA BINTI ABDUL SAMAD

Age : 54 years  
Nationality : Malaysian  
Gender : Female

### POSITION ON THE BOARD

Non-Independent Non-Executive Chairman

### DATE OF APPOINTMENT TO THE BOARD

25 March 2016



### MEMBERSHIP OF BOARD COMMITTEES

- Member, Nomination and Remuneration Committee

### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- CCM Duopharma Biotech Berhad

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 31 March 2017

### 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

Six (6) out of six (6) meetings (since date of appointment)

### QUALIFICATION

- Master of Business Administration majoring in Human Resource, Nottingham Trent University, United Kingdom
- Bachelor of Administration Management, Paramount University of Technology, United Kingdom
- Diploma in Professional Safety Management, Construction and Industrial Safety Training Centre (CONSIST), Australia
- Diploma in Human Resource Administration, Malaysian Institute of Personnel Management (MIPM)
- Certificate in Personnel Management, Malaysian Institute of Personnel Management (MIPM)
- Certificate in Safety & Health Officer, National Institute of Safety & Health (NIOSH)
- Certificate in Training & Development (UK)

### WORKING EXPERIENCE AND OCCUPATION

Dato' Hajah Normala is currently the Member of Parliament for Pasir Gudang Constituency in Johor since 2013. She is also a Committee member of the International Bureau of Wanita UMNO Malaysia and a member of the Wanita UMNO for Johor State. In addition, she is the Chief of the UMNO's Women's Wing for Pasir Gudang Division.

Before her foray into politics, Dato' Hajah Normala has accumulated over 32 years of experience in Human Resources and Workers' Safety and Health. She began her career in Human Resource in 1981 with Pan Century Edible Oils Sdn. Bhd., Pasir Gudang and progressed to the position as Head of Human Resources in 1992 at Pan Century Oleochemicals Sdn. Bhd. She later joined Grand Bank Yachts Sdn. Bhd. in 1995 as a Human Resources Manager and resigned in 2013.

Dato' Hajah Normala is very active in non-governmental organisations and holds various positions such as Chairman of Mimbar Permuafakatan Ibu Bapa Malaysia ("MAPIM"), Pasir Gudang and Supreme Council Member of MAPIM (National Level), Chairman of the Women's Bureau of Drug Prevention Association of Malaysia ("PEMADAM") Johor, Chairman of the Development Council of Women & Family for Pasir Gudang, Chairman of Perkumpulan Wanita ("PERWANI") Parliament Pasir Gudang, Chairman and Founder of Koperasi Seri Cempaka Pasir Gudang Berhad and Chairman of the Advisory Board of Community College Pasir Gudang.

She was the former Deputy Chairman of the Federation of Malaysian Manufacturers ("FMM"), Johor Branch since 2000 and also chaired various committees on FMM. She was also the former Deputy Chairman of Human Resources Officers Group for Pasir Gudang Industrial Area, former Deputy Chairman of Malaysian Employers Federation Johor, Honorary Secretary of Malaysian Association of Safety and Health Officers, former Panel Member of Appeal Cases Committee for Court of Appeals SOCSO cases and former Panel Member of Industrial Court Malaysia.

**LEONARD ARIFF BIN ABDUL SHATAR**

Age : 52 years  
 Nationality : Malaysian  
 Gender : Male

**POSITION ON THE BOARD**

Group Managing Director

**DATE OF APPOINTMENT TO THE BOARD**

9 January 2015

**MEMBERSHIP OF BOARD COMMITTEES**

None

**DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS**

- PanGen Biotech Inc. (Korea)

**SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES**

None as at 31 March 2017

**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**

Eleven (11) out of eleven (11) meetings

**QUALIFICATION**

- LL.B, Monash University, Melbourne, Australia
- Bachelor of Economics, Monash University, Melbourne, Australia

**WORKING EXPERIENCE AND OCCUPATION**

Leonard Ariff was appointed as Group Managing Director of Chemical Company of Malaysia Berhad on 9 January 2015. He is also the Chief Executive Officer of CCM Duopharma Biotech Berhad. Leonard Ariff was also the Director of CCM's Chemicals Division from October 2014 until December 2015. Following the internal reorganisation of the CCM Group in January 2016, Leonard Ariff's position as Director of Pharmaceuticals Division has been redesignated as Chief Executive Officer, Pharmaceuticals.

Leonard Ariff started his career in 1988 in various capacities in the legal profession before joining the CCM Group in 1990, where his main responsibilities were in business development and business management at CCM Chemicals Sdn. Bhd. In 2000, he assumed the position of Managing Director of Usaha Pharma (M) Sdn. Bhd. (formerly known as Prima Health Pharmacy (Retail) Sdn. Bhd.), CCM's pharmaceuticals retail arm. He later joined ICI Paints Malaysia Sdn. Bhd. in 2003 as the General Manager and was subsequently appointed as Managing Director in 2005 until 2007, before re-joining the CCM Group in 2008.

He holds directorships on the boards of several companies within the CCM Group and PanGen Biotech Inc. (Korea). He also acts in an advisory capacity at the International Medical University School of Pharmacy, Chair of the School of Business Advisory Board at Monash University Malaysia, Industrial and Community Advisory panel of Institute for Research in Molecular Medicine ("INFORMM") at Universiti Sains Malaysia, and Committee Member of Good Governance for Medicines in the Ministry of Health, Malaysia and is a member of the Malaysian National Biotech Advisory Board.

## BOARD OF DIRECTORS (Cont'd)

### DATO' AZMI BIN MOHD. ALI

Age : 56 years  
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
- CCM Duopharma Biotech Berhad
- Perbadanan Nasional Berhad
- Cliq Energy Berhad

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 31 March 2017

### 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

Eleven (11) out of eleven (11) meetings

### QUALIFICATION

- 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 is currently the Senior Partner of Azmi & Associates, a corporate and commercial law firm of close to 70 lawyers, which he co-founded in 2000. He has over 30 years of experience in the areas of, amongst others, corporate, commercial, business, capital market and project-related law, where he started as an in-house counsel in Petronas in 1984 for 6 years before venturing out into private law practice since 1990.

Dato' Azmi's directorships in other public companies include SP Setia Berhad, CCM Duopharma Biotech Berhad and Perbadanan Nasional Berhad and he is also the chairman of Cliq Energy Berhad, a special-purpose acquisition company, which is now under court-sanctioned liquidation. He has also served on the main Board of Sime Darby Berhad for more than 5 years from 2010 until early 2016.

He is also a director of a public university, Universiti Malaysia Kelantan and a director of Financial Reporting Foundation, a Government-sponsored foundation related to the advancement of accounting standards in Malaysia. He has also served as an Adjunct Professor at the Law School of International Islamic University of Malaysia and the Law School of National University of Malaysia.

**KHALID BIN SUFAT**

Age : 61 years  
 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

**SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES**

None as at 31 March 2017

**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**

Eleven (11) out of eleven (11) meetings

**QUALIFICATION**

- 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.



## BOARD OF DIRECTORS (Cont'd)

### DR. LEONG CHIK WENG

Age : 54 years  
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
- UMW Holdings Berhad

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 31 March 2017

### 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

Eleven (11) out of eleven (11) meetings

### QUALIFICATION

- 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 : 52 years  
 Nationality : Malaysian  
 Gender : Male

**POSITION ON THE BOARD**

Non-Independent Non-Executive Director

**DATE OF APPOINTMENT TO THE BOARD**

10 January 2011

**MEMBERSHIP OF BOARD COMMITTEES**

- 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 31 March 2017

**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 eleven (11) meetings

**QUALIFICATION**

- Bachelor of Chemical Engineering (Hons.) Universiti Teknologi Malaysia
- Master of Science (Environmental Engineering), University of Newcastle, United Kingdom
- Doctor of Philosophy (Environmental Engineering), University of Newcastle, United Kingdom
- Advanced Management Program, Harvard Business School, Harvard University
- 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 was Vice Chancellor of the oldest technical university in Malaysia and South East Asia, Universiti Teknologi Malaysia. 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") and Panglima Jasa Negara ("PJN"). He was the 'Tokoh Maal Hijrah 1433H' of Negeri Sembilan 2011, a Fellow of the Academy of Science Malaysia, Senior Advisor to the Prince Khalid bin Sultan Chair on Water Research, King Saud University, Chairman of the Environmental Quality Council, Malaysia and Fellow of the Institute of Chemical Engineers, United Kingdom. He is a Visiting Professor at Imperial College London (UK) and Research Associate at Massachusetts Institute of Technology. He has registered more than 20 intellectual property rights and published more than 250 technical papers and 33 books.

# BOARD OF DIRECTORS (Cont'd)

## DATIN PADUKA KARTINI BINTI HAJI ABDUL MANAF

Age : 55 years  
Nationality : Malaysian  
Gender : 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

- See Sen Chemical Berhad

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 31 March 2017

### 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

Eleven (11) out of eleven (11) meetings

### QUALIFICATION

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

### 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 Investment. 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.

**TAN SRI DATIN PADUKA SITI SA'DIAH BINTI SH. BAKIR**

Age : 64 years  
 Nationality : Malaysian  
 Gender : Female

**POSITION ON THE BOARD**

Independent Non-Executive Director

**DATE OF APPOINTMENT TO THE BOARD**

19 December 2014

**MEMBERSHIP OF BOARD COMMITTEES**

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

**DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS**

- KPJ Healthcare Berhad
- Kulim (Malaysia) Berhad
- CCM Duopharma Biotech Berhad
- Nationwide Express Courier Services Berhad
- OSK Holdings Berhad

**SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES**

None as at 31 March 2017

**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 eleven (11) meetings

**QUALIFICATION**

- Master of Business Administration, Henley Business School, University of Reading, United Kingdom
- Bachelor in Economics, University of Malaya

**WORKING EXPERIENCE AND OCCUPATION**

Tan Sri Datin Paduka Siti Sa'diah Sh. Bakir is an Independent Non-Executive Director of KPJ, redesignated on 1 May 2015 from Non-Independent, Non-Executive Director. Tan Sri served as the Managing Director of KPJ from 1 March 1993 until her retirement on 31 December 2012.

From 1 January 2013 until 31 December 2014, she served as KPJ's Corporate Advisor. She was the Chairman and Pro-Chancellor of KPJ Healthcare University College ("KPJUC") between 1 August 2011 to 31 December 2016.

Her career with Johor Corporation ("JCorp") commenced in 1974 and she has been directly involved in JCorp's Healthcare Division since 1978. She was appointed as the Chief Executive of Kumpulan Perubatan (Johor) Sdn. Bhd. ("KPJSB"), from 1989 until the listing of KPJ in November 1994.

Committed to promoting excellence in healthcare, Tan Sri is the President of Malaysian Society for Quality in Health ("MSQH"), the national accreditation body for healthcare services, elected since its inception in 1997 to date. She sits on many other councils and committees at the national level, including as a member of the Academic Committee of the Razak School of Government ("RSOG"). She also sits on several University Committees, including Universiti Malaya and University of Reading Malaysia. In June 2016, she was appointed as the Chairman of Universiti Utara Malaysia, an eminent management university in Malaysia.

In 2010, Tan Sri was named the 'CEO of The Year 2009' by the New Straits Times Press and the American Express. She has also received many more awards and accolades from 2011 to 2015, due to her contributions to the healthcare industry in Malaysia. She launched her biography entitled "Siti Sa'diah: Driven by Vision, Mission and Passion", penned by Professor Rokiah Talib, Penerbitan Universiti Kebangsaan Malaysia in 2013.



# BOARD OF DIRECTORS (Cont'd)

## DATUK NIK MOUSTPHA BIN HAJI NIK HASSAN

Age : 63 years  
Nationality : Malaysian  
Gender : Male

### POSITION ON THE BOARD

Independent Non-Executive Director

### DATE OF APPOINTMENT TO THE BOARD

9 September 2016



### MEMBERSHIP OF BOARD COMMITTEES

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

### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- Takaful Ikhlas Berhad

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 31 March 2017

### 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

One (1) out of one (1) meeting (since date of appointment)

### QUALIFICATION

- Master in Economics, Ohio University, Ohio, USA
- Degree in Business Administration, Ohio University, Ohio, USA

### WORKING EXPERIENCE AND OCCUPATION

Datuk Nik Moustpha began his career in 1979 as a Lecturer in the Faculty of Economics and Agribusiness, Agricultural University of Malaysia. In June 1983, he was seconded to the Faculty of Economics and Management of International Islamic University, Malaysia. He was the Dean of the said faculty from August 1987 to July 1989. In May 1988, he was appointed as an Associate Professor of the same faculty.

Datuk Nik Moustpha took on the position of Visiting Fellow at the Oxford Centre for Islamic Studies, University of Oxford, United Kingdom for one academic year. He was then appointed as the Dean of the Postgraduate Faculty of International Islamic University, Malaysia in August 1992. Subsequently, he joined the Institute of Islamic Understanding Malaysia ("IKIM") in 1993 and held various positions in IKIM before retiring as the Director General of IKIM in 2015.

He has authored 6 books, edited 18 books and published over 260 of his scholarly articles in various journals, books, magazines and newspapers. Amongst the books written by him include "An Islamic Paradigm in Economics: Vision and Mission", "Islamic Management for Excellence - Revitalising People for the Future", Value-based Total Performance Excellence Model and "Pandangan Alam Islam Dalam Peradaban Ekonomi dan Asas Memacu Ekonomi Ummah - Satu Pandangan". The focal point of his writings has been mainly economic thoughts, economic systems and the future of economics and management.

Datuk Nik Moustpha is currently the Director of Takaful Ikhlas Berhad, Member of the Shariah Committee of MNRB Holdings Bhd, Adjunct Professor, National Defence University of Malaysia and Adviser of the Faculty of Business and Accounting, University of Malaya.

# SENIOR MANAGEMENT

## NIK FAZILA BINTI NIK MOHAMED SHIHABUDDIN

Age : 50 years  
Nationality : Malaysian  
Gender : Female

### POSITION

Group Chief Operating Officer cum Chief Financial Officer

### DATE OF APPOINTMENT TO KEY SENIOR POSITION

5 March 2012



### DIRECTORSHIP IN PUBLIC COMPANIES AND OTHER 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 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 joined CCM in March 2012 as Director, Finance. On 1 May 2016, she was appointed as the Group Chief Operating Officer cum Chief Financial Officer 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 more than 25 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) Main Board of public listed companies in Malaysia, as General Manager Finance and Chief Financial Officer. During her tenure at those 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.

# SENIOR MANAGEMENT (Cont'd)

## **ABD RAHMAN BIN ABDULLAH THANI**

Age : 52 years  
Nationality : Malaysian  
Gender : Male

### **POSITION**

Director, Fertilizers/Program and Communication

### **DATE OF APPOINTMENT TO KEY SENIOR POSITION**

1 July 2009



### **DIRECTORSHIP IN PUBLIC COMPANIES AND OTHER 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 Commerce, Accounting and Finance, University of Tasmania, Australia
- Fellow, Certified Practising Accountant, Australia
- Chartered Accountant, Malaysian Institute of Accountants
- Harvard Business School – Alumni Club Malaysia
- ICLIF – Leading Leaders Alumni

### **WORKING EXPERIENCE AND OCCUPATION**

Abd Rahman was attached to Price Waterhouse from 1988 to 1991 as an Audit Senior. He then joined Petronas Trading Corporation Sdn. Bhd. (“PETCO”) and was subsequently seconded to Subic Bay Petroleum Products Ltd., a joint venture company between PETCO and Coastal Corporation, USA as its Financial Controller in 1994. Following this, he joined a pharmaceutical manufacturing company, Raza Manufacturing Berhad, in May 1995 as the General Manager of Finance and Administration and was involved in the formation of Pharmaniaga Berhad in 1998 through a merger of Raza, Strand Pharmaceuticals and Remedi Pharmaceuticals before being promoted to the position of Director of International and subsequently Director of Indonesia Operations in Pharmaniaga. His last position was as the President Director of an Indonesia listed company in Bursa Efek Indonesia, P.T. Millennium Pharmacon International Tbk, a subsidiary of Pharmaniaga International Corporation Sdn. Bhd. He then joined CCM in July 2009 as Director Finance (designate) and was appointed as Director, Finance on 1 December 2009. On 1 May 2012, he took on the role which oversees Group Strategy, Security, Corporate Affairs, Halal and Transformation. He was then appointed as Director, CCM Fertilizers Division on 1 December 2014, a position he currently holds besides helming the position of Director, Program and Communication with effect from 1 April 2016.

**NORZAIMAH BINTI MAAROF**

Age : 47 years  
 Nationality : Malaysian  
 Gender : Female

**POSITION**

Director, Group Corporate Development

**DATE OF APPOINTMENT TO KEY SENIOR POSITION**

1 October 2014

**DIRECTORSHIP IN PUBLIC COMPANIES AND OTHER 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**

- Barrister-at-Law, Bar of England and Wales
- Bachelor of Laws, University of Southampton, United Kingdom

**WORKING EXPERIENCE AND OCCUPATION**

Norzaimah was appointed as Director, Group Corporate Development on 1 October 2014. Prior to her appointment, Norzaimah was the Chief Business Development Officer in CCM Duopharma Biotech Berhad ("CCMD") from March 2014 until September 2014. She was also the Chief Strategy Officer of CCMD from 1 January 2016 until 1 September 2016.

Norzaimah has an extensive corporate commercial experience; she started her career in 1994 in the Corporate Department of General Lumber Fabricators & Builders Bhd until 2000. Thereafter, she moved to Philips Malaysia Sdn. Bhd. as Senior Legal Counsel from 2000 to 2003. She joined Pfizer Malaysia Sdn. Bhd. in 2003 where she was first appointed as Legal Director for Malaysia, Singapore and Brunei and then seconded to Pfizer Headquarters in New York in 2006. She was later appointed as Legal Director for Asia Research and Development where she provided core research and development, legal support and counsel for Pfizer Global Research and Development organisations in Asia and provided support and counsel for international clinical trials. Her last employment prior to joining CCM was Chief Counsel of Felda Global Ventures Holdings Berhad from 2009 to 2013.



# SENIOR MANAGEMENT (Cont'd)

## **ANUAR BIN KASIM**

Age : 50 Years  
Nationality : Malaysian  
Gender : Male

### **POSITION**

Chief Executive Officer, Chemicals Business

### **DATE OF APPOINTMENT TO KEY SENIOR POSITION**

4 June 2014



### **DIRECTORSHIP IN PUBLIC COMPANIES AND OTHER 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 (Honours) Majoring in Chemical Engineering, University of Pittsburgh, United States

### **WORKING EXPERIENCE AND OCCUPATION**

Anuar joined CCM in June 2014 as Chief Operating Officer, Chemicals Division. He was appointed as Chief Executive Officer, Chemicals on 1 January 2016.

Anuar has more than 25 years of Business-to-Business (B2B) and Business-to-Government (B2G) experience in a number of industries including chemicals, oil and gas, ports, utilities, commodity and international logistics. He has held several senior positions with Royal Dutch Shell group in Malaysia, Argentina and United Kingdom, MMC Berhad Group of Companies, Tradewinds Malaysia Berhad Group of Companies, ICI Paints as well as Esso Malaysia Berhad.

**DR. KHEW MEI CHING**

Age : 50 years  
 Nationality : Malaysian  
 Gender : Female

**POSITION**

Chief Executive Officer, Polymers Business

**DATE OF APPOINTMENT TO KEY SENIOR POSITION**

1 January 2016

**DIRECTORSHIP IN PUBLIC COMPANIES AND OTHER 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

**WORKING EXPERIENCE AND OCCUPATION**

Mei Ching was appointed as Chief Executive Officer for CCM Innovative Solutions (now known as CCM Polymers Sdn. Bhd.) in April 2015. Prior to her appointment, Mei Ching was the Chief Scientific Officer of CCM Chemicals Sdn. Bhd. since Dec 2009. She was redesignated as Chief Executive Officer, Polymers on 1 January 2016.

Mei Ching has an extensive experience in the field of polymer and manufacturing technology specializing in research and development, plant process and product application. She started her career in 1992 in technical and process at Sumirubber Industries Sdn. Bhd. and subsequently joined WRP Asia Pacific Sdn. Bhd. until 2001. Thereafter, she moved to Synthomer Sdn. Bhd. as Technical Manager where she was involved in the setting up and commissioning of the first nitrile butadiene rubber synthesis plant in Malaysia. She had also worked with the technical team to provide application support to the glove industry in the Asia region. She was subsequently seconded to the Polymer Division as Head of Technology in 2007 involved in new product development and technology transfer of coating, construction and adhesive products.

# SENIOR MANAGEMENT (Cont'd)

## **NOOR AZWAH BINTI SAMSUDIN**

Age : 46 years  
Nationality : Malaysian  
Gender : Female

### **POSITION**

Group Company Secretary

### **DATE OF APPOINTMENT TO KEY SENIOR POSITION**

8 December 2006



### **DIRECTORSHIP IN PUBLIC COMPANIES AND OTHER 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**

- LL.B (Hons.), University of Sheffield, United Kingdom
- Certificate in Legal Practice, Legal Qualifying Board, Malaysia

### **WORKING EXPERIENCE AND OCCUPATION**

Noor Azwah joined the CCM Group as Company Secretary in 2006 and is responsible for the corporate secretarial function of the Group. Prior to her appointment, Noor Azwah has served in the legal and corporate secretarial capacity in the automotive and insurance industries. She is also an affiliate member of the Malaysian Institute of Chartered Secretaries and Administrators.

**IBRAHIM HUSSIN SALLEH**

Age : 49 years  
Nationality : Permanent Resident of Malaysia  
Gender : Male

**POSITION**

General Manager, Legal/Company Secretary

**DATE OF APPOINTMENT TO KEY SENIOR POSITION**

29 September 2006

**DIRECTORSHIP IN PUBLIC COMPANIES AND OTHER 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**

- LL.B (Hons.), International Islamic University Malaysia
- LL.M, University of Malaya
- Advocate & Solicitor of the High Court of Malaya

**WORKING EXPERIENCE AND OCCUPATION**

Ibrahim was admitted to the Roll of Advocates and Solicitors of the High Court of Malaya in 1993 and thereafter practised as an Advocate & Solicitor, gaining experience in banking, conveyancing, corporate and litigation matters. He joined a public listed property development company in 2002 as Head of the Legal & Secretarial Department. He subsequently joined CCM in April 2006 as Legal Manager and was appointed as the Joint Company Secretary in September 2006. He was promoted to General Manager, Legal in 2008.



# SENIOR MANAGEMENT (Cont'd)

## WAN AISHAH IDRIS BINTI MUHAMAD IDRIS

Age : 46 years  
Nationality : Malaysian  
Gender : Female

### POSITION

Head of Group Integrity & Assurance/Group Internal Auditor

### DATE OF APPOINTMENT TO KEY SENIOR POSITION

13 August 2014



### DIRECTORSHIP IN PUBLIC COMPANIES AND OTHER 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, United Kingdom
- Association of Certified Chartered Accountant (ACCA)
- Certified Internal Auditor (CIA)

### WORKING EXPERIENCE AND OCCUPATION

Wan Aishah Idris joined the Company in August 2014 as the Head of Group Integrity and Assurance to oversee both the Integrity and Internal Audit functions. She is a Certified Internal Auditor, as well as a Certified Integrity Officer (CeIO).

She started her career as an accountant/auditor trainee at Grant Thornton, Cardiff, United Kingdom, whilst pursuing her ACCA examinations. Subsequently, she served in the internal audit departments of Malaysia Airlines System Berhad and UEM Group Berhad.

Prior to her appointment at CCM, Wan Aishah Idris was the Head of Group Internal Audit at UEM Group Berhad.

**ANITA BINTI ESA**

Age : 50 years  
 Nationality : Malaysia  
 Gender : Female

**POSITION**

Head, Group Risk Management

**DATE OF APPOINTMENT TO KEY SENIOR POSITION**

1 January 2017

**DIRECTORSHIP IN PUBLIC COMPANIES AND OTHER 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**

- Master of Business Administration, MARA University of Technology
- Bachelor of Science with Honours, University of Science Malaysia
- Enterprise Risk Manager Professional Certification, Institute of Enterprise Risk Practitioners ("IERP")

**WORKING EXPERIENCE AND OCCUPATION**

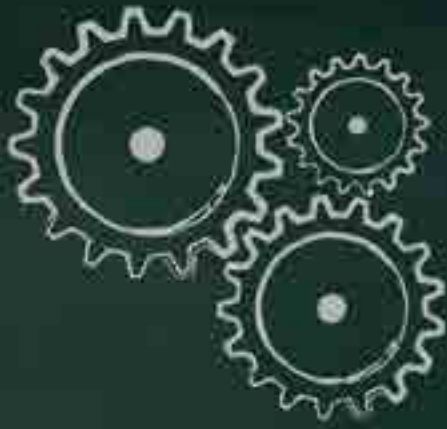
Anita has vast experience in various fields which include sales, marketing, strategy and project management. She first launched her career back in January 1991 in Eisai Malaysia, a Tokyo-based pharmaceuticals company, as a sales representative.

Following this, she joined Zeneca that same year where she continued building her career in sales and marketing for nearly a decade.

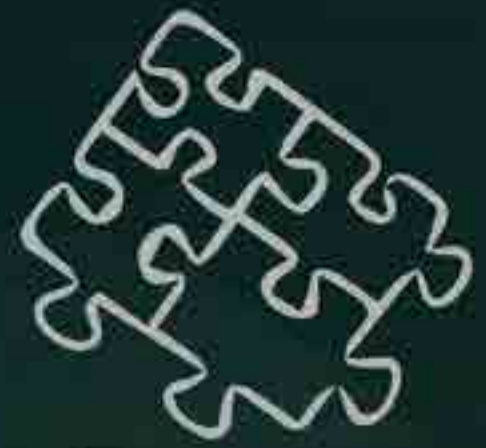
Subsequent engagements included stints in Novartis, Novo Nordisk and Bayer, the latter of which she left in 2006 as a National Sales Manager, bringing with her a wealth of experience in the management of products and international business.

She later assumed the position of Marketing Manager in CCM, overseeing both the ethical and OTC ranges. Most recently, Anita moved to the Strategy Department and subsequently Project Management before heading the Group Risk Management Department of the CCM Group in 2017.





ABC

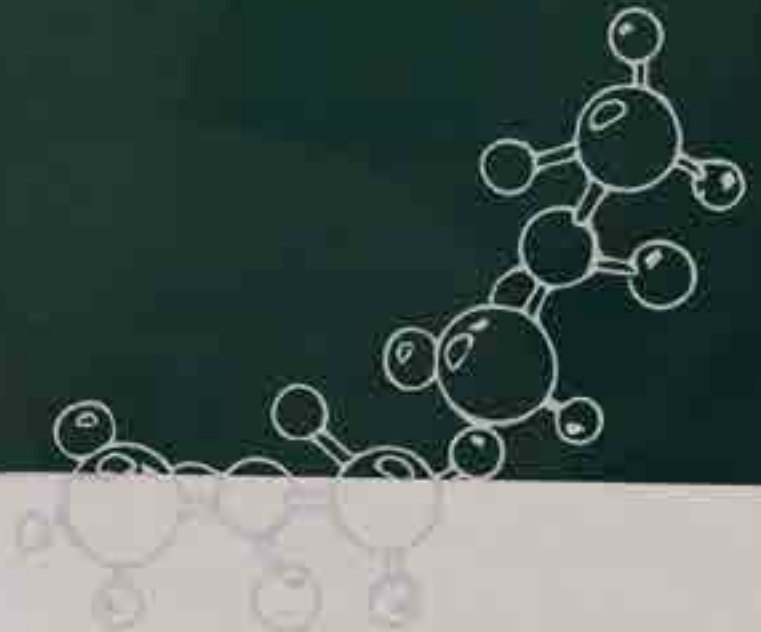


# ACHIEVING TOGETHER

Our employees are the driving force behind our success. They are truly committed to achieving more together, working in a great environment of respect for diversity and inclusiveness and supported by a holistic approach to work-life balance.



ABC





# STATEMENT ON CORPORATE GOVERNANCE

for the Financial Year ended 31 December 2016

The Malaysian Code on Corporate Governance 2012 (the “Code”) sets out the principles and best practices on structures and processes used to direct and manage the business and affairs of the Company towards enhancing corporate accountability with the objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders.

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

The Board is pleased to report to the shareholders on the manner the Company has applied the principles of good corporate governance and the extent of compliance with the Best Practices of Good Governance as set out in the Code throughout the financial year ended 31 December 2016.

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (supporting board leadership)

### 1.1 Clear Functions between the Board and Management (responsibilities of the board)

The Board retains full and effective control of the Group. This includes responsibilities for determining the Group’s overall strategic directions as well as development and control of the Group. To ensure effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to Board Committees namely; the Nomination and Remuneration Committee, Audit and Compliance Committee, Finance and Investment Committee and Risk Management Committee. The Board has also established sub-holding boards and task force committees at the sub-holding level for each of the Group’s businesses to ensure that the strategies and policies set at the Group level are implemented at the respective business divisions. The function of the task force committees will be reviewed from time to time to ensure that it remains relevant. Following the disposal of CCM’s entire equity interest in CCM Pharmaceuticals Sdn. Bhd., CCM Pharma Sdn. Bhd., Innovax Sdn. Bhd., Upha Pharmaceutical Manufacturing (M) Sdn. Bhd., CCM International (Philippines) Inc. and CCM Pharmaceuticals (S) Pte Ltd to CCM Duopharma Biotech Berhad and Duopharma (M) Sdn. Bhd., the sub-holding board of the Pharmaceuticals Division was of the view that the task force committee was no longer relevant and has agreed to dissolve the task force committee for the Pharmaceuticals Division. Subsequently, all matters discussed by the task force committee have now been elevated to the board level of CCM Duopharma Biotech Berhad. In addition, following the closure of the fertilizers business, the sub-holding board monitoring the performance of the fertilizers business has also agreed to dissolve its task force committee. All matters relating to the businesses are now discussed directly by the respective boards.

The Board has established clear functions which are reserved for the Board and those delegated to Board Committees and Management. Key matters, such as approval of annual and quarterly results, acquisitions and disposals, as well as material agreements, major capital expenditure, short-term and long-term plans and strategies and succession planning for top management are reserved for the Board.

Meanwhile, all Board Committees have their Terms of Reference approved by the Board. These Committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board. At each Board meeting, the reports and minutes of Board Committee meetings are tabled and presented to the Board to keep them informed and updated on the key issues deliberated by the Board Committees during their respective meetings. The Terms of Reference and composition of the respective committees can be found on the Company’s website while the work done and activities are stated in their respective reports.

The Board maintains a close and transparent relationship with Management. Clear limits of authority for Management to manage the business of the Group have been established and reviewed as and when necessary to ensure that the limits of authority are up to date. The last review and refinements of the limits of authority was conducted in February 2015 to improve operational effectiveness and efficiency. Many of the responsibilities of the Board are delegated to Management through the Group Managing Director. The Group Managing Director is accountable to the Board for the achievement of the Group’s corporate objectives which include performance targets and long-term goals of the business.

The Board conducts a quarterly review of the performance targets and long-term goals of the business to ensure that the needs of the Group are consistently met. The Board is furnished with information relating to the running of the Group's operations through various financial and operational reports prepared by Management on a monthly and quarterly basis. This allows them to understand the operations better and make decisions in steering the Group towards a profitable business. At each normal Board meeting, the Board receives from or through the Group Managing Director the operational and other reports, proposals and assurances as the Board considers necessary to ensure that Management authorities are being observed.

## 1.2 Clear Roles and Responsibilities

The Board assumes, among others, the following responsibilities:

### (i) Review and adopt strategic plan of the Group

The Board plays an active role in the development of the Group's strategy. The Board is presented with the short and long term strategy of the Group annually together with its proposed business plans for the ensuing year. In formulating the Group's strategy, the Board, through the respective Board Committees, sub-holding entities and taskforces will challenge and deliberate the Group's strategy before it is presented to the Board.

This process allows the respective Board Committees, sub-holding boards and task forces members to provide valuable feedback and input as well as assurance that all appropriate considerations have been taken into account. The outcome of the deliberation is then tabled to the Board to ensure the best outcome.

The Board also reviews and approves the annual budget for the ensuing year and sets the Key Performance Indicators ("KPIs") which supports the Group's strategy and business plan.

### (ii) Oversee the conduct of the Group's business

The Board oversees the performance of Management to determine whether the business is being properly managed. In this regard, the Group Managing Director is critical to the performance of the Group and provides the leadership and strategic vision of the Group. He is responsible for the day-to-day running of the business and operations of the Group including organisational effectiveness, implementation of Board policies and strategies and clarifies matters relating to the Group's business to the Board. His in-depth and intimate knowledge of the Group's affairs contributes significantly towards the direction of the Group to achieve its goals and objectives.

The Group Managing Director is supported by the Group Management Committee and other committees established under the Group such as the Group Tender Committee. These committees have their own specific Terms of Reference to ensure that the objectives and aspirations of the Group are met.

The Board has established clear targets and KPIs to measure Management's performance. At the end of the financial year, the Board will set targets and KPIs for the ensuing year. These targets and KPIs are tabled to the Board and deliberated on a quarterly basis. The Board is also kept informed of the significant operational highlights, issues and performance of the Group on a monthly basis through various reports to ensure they are kept updated with the latest development of the Group.

To ensure independence, the Group Risk Management Department provides the Board with a separate status report on a regular basis to update the Board on the enterprise risk. The Group Integrity and Assurance Department (formerly known as Group Internal Audit Department) also provides the Audit and Compliance Committee with audit reports as and when audit assignments or special investigations assignments are completed.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

- (iii) Identifying principle risks and ensuring the implementation of appropriate internal controls and mitigation measures

The Board, through the Risk Management Committee determines the Group's level of risk tolerance and actively identifies, assesses and monitors key business risks to safeguard the Group's businesses. In managing risks, the Board has developed an Enterprise Risk Management ("ERM") Framework for the Group in line with the universally accepted standard ISO 31000 for Risk Management. A Risk Management Policy has been established to ensure the Group has an effective risk management programme and control system to facilitate the Group in meeting all its business objectives.

The internal control mechanism established by the Board is embedded within the organisation structure in all its processes. The internal control system is independently reviewed by the Group Integrity and Assurance Department to ensure its adequacy and integrity.

Details on the Report of the Risk Management Committee and Statement on Risk Management and Internal Controls are set out in this Annual Report on pages 82 to 85 and 89 to 94.

- (iv) Succession Planning

The Board has entrusted the Nomination and Remuneration Committee with the responsibility to review and recommend to the Board, candidacy for boards within the Group and top management positions. These candidates go through a rigorous assessment prior to being invited to the respective boards or recruited as part of the top management to ensure they have the sufficient experience and are the right fit for the Company. For 2016, the Nomination and Remuneration Committee had reviewed and recommended the nominations of Dato' Hajah Normala binti Abdul Samad and Datuk Nik Moustpha bin Haji Nik Hassan to the Board of the Company. Their nominations were expected to complement the current mix of skills and experience of the Board, especially in the areas of government relations, human resources, Halal and integrity.

The Group has, in place, a talent management programme to ensure the Group has sufficient talent bench strength to meet its future needs besides having a pipeline of successors for mission-critical positions. The Group has identified at least 24 employees throughout the organisation as its potential talents.

- (v) Oversee the development and implementation of a shareholder communication policy

The Board values the dialogue with shareholders and appreciates the keen interest of shareholders on the Group's performance. In this regard, the Board has established a Shareholders and Investors Communication Policy to meet or otherwise communicate with the shareholders of the Group. A copy of the Shareholders and Investors Communication Policy can be accessed on the Company's website.

For 2016, the Company had conducted two investor relations program with interested investors to keep them updated with the development of the Group. The copies of the presentation can be accessed on the Company's website.

- (vi) Review the adequacy and integrity of the management information and internal control systems

The Board is fully aware of the responsibilities to maintain a sound internal control system. The Board's responsibilities for the Group's system of internal controls cover not only financial aspects of the business but also operational, regulatory compliance as well as risk management matters. Details pertaining to the Company's internal control system and the review of its effectiveness are set out in the Statement on Risk Management and Internal Control in the Annual Report on pages 89 to 94.

### 1.3 Formalise Ethical Standards through a Code of Conduct and Ensure its Compliance

The Group has, in place, Directors' Code of Best Practice and a Code of Conduct to govern the standard of ethics and good conduct expected of Directors and employees, respectively. The Directors' Code of Best Practice includes, among others, matters relating to their duties and conduct as Directors, conflict of interests and conduct in meetings. On an annual basis, the Directors are also required to submit a Directors' Confirmation Form to the Company confirming their remuneration and benefits, interest in shares and debentures and any related party transactions with the Group.

The Board has approved a Code of Conduct which commits the employees to ethical values and standards of conduct expected of them. It is based on the Group's vision, mission and core values and embodies the principles contained in various policies adopted by the Group and gives guidance on how employees and other parties affected by the Code of Conduct should apply the core values to the Group's businesses and activities. The Code of Conduct covers, among others, all aspects of the business operations such as confidentiality of information, dealings in securities, conflict of interest, provision of gifts and gratuities, anti-bribery and sexual harassment.

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

Apart from the normal reporting of concerns to the Head of the Group Integrity & Assurance Department, the reporting channel as prescribed in the Whistle-Blowing Policy, namely the Whistle-Blowing Hotline (***ccmintegrity@gmail.com***), is made available to the employees and external parties.

The reports from the whistleblowers were treated with utmost confidentiality and were investigated. Results of the investigations were shared with the Integrity Committee and the Audit and Compliance Committee of the Board.

The Integrity Unit, which is part of the Group Integrity & Assurance Department, was established in September 2013. The Unit is tasked to manage integrity issues within the Group as well as to further enhance its good corporate governance practices and strengthen the ethical standards on a Group-wide basis. The unit is under the purview of the Audit and Compliance Committee and is responsible for, among others, the following:

- *Governance* - to ensure the conduct of best practices in governance;
- *Strengthen integrity* - to ensure that integrity is inculcated into the Group's culture and is institutionalised in the actions of all employees;
- *Detection and verification of wrongdoings* - to detect and confirm the information/complaints on criminal misconducts as well as violations of the Group's Code of Conduct and business ethics and to ensure that follow-up actions are duly taken. The Unit is also responsible for reporting the criminal misconducts to the relevant enforcement agencies;
- *Complaint management* - to receive and take the necessary actions on all information/complaints received on criminal misconducts as well as violations of the Group's Code of Conduct and business ethics;
- *Compliance* - to ensure compliance with laws and regulations; and
- *Disciplinary actions* - to be the secretariat function to the Integrity Committee.

In 2016, the Integrity Unit continued to provide briefings on Integrity Pacts to the suppliers of the organisation. Integrity Pacts were signed with them to enhance transparency in the procurement activities. The whistle-blowing hotline was also shared with the suppliers to enable them to report on any wrongdoings involving the employees of the organisation.



# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

## 1.4 Strategies Promoting Sustainability

The Board understands the importance of sustainability in operating its businesses and is committed towards achieving sustainability that shall benefit stakeholders, the environment, our people and the community. In achieving this, the Board has approved a Corporate Sustainability Policy focusing on stakeholder and marketplace expectations, the environment, workplace sustainability and community needs. The details on the Company's effort to promote sustainability could be found in the Sustainability Report on the Company's website.

## 1.5 Access to Information and Advice

The Chairman is primarily responsible for ensuring that sufficient information is provided to the Board members to assist them in their deliberation. She ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the agenda of Board meetings. In doing so, the Chairman will liaise with the Group Managing Director and the Company Secretary on the agenda for Board meetings. Board meetings are scheduled a year ahead in order to ensure full attendance. A minimum of four (4) Board meetings were held during the year. Additional meetings were held as and when required.

There is a formal agenda for all scheduled meetings and Board papers are prepared and submitted in advance to ensure adequate information is available to assist deliberation by Board members. The Board papers include, among others, the following:

- Minutes of Meetings/Reports of all Board Committees;
- Business plan and strategic direction;
- Current operating and business issues;
- Annual budget review, forecasts and projections;
- Quarterly and annual financial reports;
- Potential acquisitions and disposal of assets of substantial value;
- Major investment and financial decisions;
- Key policies, procedures and authority limits; and
- Reports, advices and opinions of external consultants/advisors as had been sought for.

During the financial year, eleven (11) Board Meetings were held. Details of the Directors' meeting attendance during the financial year were as follows:

Name of Directors	No. of Meetings Attended
<b>Dato' Hajah Normala binti Abdul Samad</b> Non-Independent Non-Executive Chairman (Appointed w.e.f. 25 March 2016)	6/6
<b>Leonard Ariff bin Abdul Shatar</b> Group Managing Director	11/11
<b>Dato' Azmi bin Mohd Ali</b> Non-Independent Non-Executive Director	11/11
<b>Khalid bin Sufat</b> Senior Independent Non-Executive Director	11/11
<b>Dr. Leong Chik Weng</b> Independent Non-Executive Director	11/11

Name of Directors	No. of Meetings Attended
<b>Dato' Seri Ir. Dr. Zaini bin Ujang</b> Non-Independent Non-Executive Director	10/11
<b>Datin Paduka Kartini binti Haji Abdul Manaf</b> Non-Independent Non-Executive Director	11/11
<b>Tan Sri Siti Sa'diah binti Sh. Bakir</b> Independent Non-Executive Director	10/11
<b>Datuk Nik Moustpha bin Haji Nik Hassan</b> Independent Non-Executive Director <i>(Appointed w.e.f. 9 September 2016)</i>	1/1

All directors have the same right of access to all information within the Group and the duty to make further enquiries which they may require in discharging their duties including seeking independent professional advice either directly or through the Group Managing Director or Company Secretary's office, if necessary, at the Company's expense. Minutes of proceedings and resolutions passed at each Board and Board Committees meetings are kept in the statutory register at the registered office of the Company and are accessible to all Directors.

The Company also provides a platform for dialogue between the Board and the Directors of each businesses either at Board meetings, Board training or during business unit visits. This will assist the Board in arriving at business and strategic decisions relating to the Group. The Directors also have access to the advice and services of the Company Secretary who is available to provide them with the appropriate advice and services and also to ensure that the relevant procedures are followed.

The Directors are regularly updated on the latest developments in the legislations as well as statutory and regulatory requirements relating to the duties and responsibilities of Directors. When necessary, the Directors also visit locations of business units which would assist the Board to make effective decisions relating to the Group. For 2016, visits had been conducted to the Chemicals plant in Pasir Gudang, Fertilizers plant in Shah Alam and PanGen Biotech Inc., Korea to better understand the investments made in these locations.

#### 1.6 Qualified and Competent Company Secretaries

The appointment or removal of Company Secretary or Secretaries of the Board shall be the prerogative of the Board as a whole. The Board is currently assisted by two qualified and competent Company Secretaries in ensuring that Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board and the business are complied with. This includes compliance with the Main Market Listing Requirements, Companies Act 2016, Securities Commission Act 1993, Capital Market and Services Act 2007 and other relevant requirements.

The Company Secretaries also play important role as gatekeepers of corporate governance. They are responsible in ensuring that the principles and practices of corporate governance are complied with, where possible. In addition to this, the Company Secretaries also provide the relevant advice to the Board, when required. All Board Members, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretaries for the purposes of the Board's affairs and the business.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

## 1.7 Board Charter

The Board Charter, which is reviewed on an annual basis, sets out the authority, responsibilities, membership and operation of the Board in adopting principles of good corporate governance and practice, in accordance with applicable laws. The document clearly states the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It also serves as a reference for all Board members as well as a primary induction literature for newly appointed Board members in providing insights into the fiduciary and leadership functions of the Board.

The Board endeavours to comply, at all times, with the principles and practices set out in this Charter. Any updates to the principles and practices set out in the Charter will be made available on the Company's website, [www.ccmberhad.com](http://www.ccmberhad.com).

## 2. STRENGTHEN COMPOSITION

The Company's Articles of Association stipulates that the minimum and maximum number of directors on the Board shall not be less than three (3) or more than twelve (12). An alternate director shall not be counted in the determination of minimum or maximum number of directors on the Board.

The Group considers its complement of Non-Executive Directors provide an effective Board with a mix of industry specific knowledge and broad business and commercial experience. The presence of independent non-executive directors is particularly important in corporate accountability. They constructively challenge and contribute to the development of the business strategies and direction of the Group. This balance enables the Board to provide clear and effective leadership to the Group and to bring informed and independent judgment to many aspects of the Group's strategies and performance so as to ensure that the highest standards of conduct and integrity are maintained. The classification for independence is in accordance with paragraph 1.01 of Definition and Interpretation section of Bursa Malaysia's Main Market Listing Requirements.

The Senior Independent Non-Executive Director is available to deal with concerns affecting the Group, other than through the Chairman. The Senior Independent Director is expected to ensure that all independent directors have the opportunity to provide input for the agenda, and advise the Chairman on the quality, quantity and the timeliness of the information submitted by Management that is necessary for the independent directors to perform their duties effectively. He is also the principal conduit between the independent directors and the Chairman on sensitive issue(s) and the designated contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channel of contact with the Chairman or Group Managing Director. Encik Khalid bin Sufat is the Senior Independent Non-Executive Director of CCM.

The Board currently has nine (9) Directors of whom four (4) are Independent Directors. The composition of the Board was maintained so that at any one time, at least three (3) or one-third (1/3) of the Board, whichever is the higher, shall be independent. A brief profile of each Director is presented on pages 38 to 46 of the Annual Report.

In ensuring that the composition of the Board is strengthened, the Board has entrusted the Nomination and Remuneration Committee to implement policies and procedures with respect to selection and nomination of Board and Board committees, review of Board's succession plans and training programmes for the Board.

### 2.1 Nomination and Remuneration Committee

The Company has in place a Nomination and Remuneration Committee ("NRC") with specific terms of reference. The NRC comprise of five (5) members who are Non-Executive Directors with the majority being independent directors. The Chair of the Committee is held by the Senior Independent Director, Encik Khalid bin Sufat.

Details pertaining to the NRC and its terms of reference can be found in the Company's website.

## 2.2 Develop, Maintain and Review Criteria to be used in Recruitment Process and Annual Assessment of Directors

### (i) Recruitment/Appointment of Directors

One of the terms of reference of NRC is to recommend to the Board, candidates to fill all directorships and Board Committees within the Company and the Group, be it a new appointment or re-election/re-appointment. In executing this role, the NRC is guided by the Group's Board Nomination and Selection process which has been approved by the Board. The Board Nomination and Selection process outlines the skill sets, knowledge/experience, mindset and the intrinsic values required of the concerned director vis-a-vis the need of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board. During the year, the Company had appointed Dato' Hajah Normala binti Abdul Samad and Datuk Nik Moustpha bin Haji Nik Hassan as Non-Independent Non-Executive Chairman and Independent Non-Executive Director, respectively, based on the prescribed process. Dato' Hajah Normala and Datuk Nik Moustpha's nominations had been deliberated at the NRC and subsequently tabled to the Board for approval. The Board Selection and Nomination Procedure can be found on the Company's website.

The NRC is responsible for reviewing, on an annual basis, the appropriate skills, experience and characteristics required for Board Members. The Chairman of the Board is required to actively participate in the selection of Board Members. A formal invitation to join the Company as a Board Member would be extended by the Chairman after approval from the Board.

The proposed appointment of a new member to the Board as well as the proposed re-appointment and re-election of Directors seeking re-election at the Annual General Meeting ("AGM") are recommended by the NRC to the Board for their approval. The Company's Articles of Association provide that at least one third (1/3) of the Board are subject to retirement by rotation at each AGM provided always that each Director shall retire at least once in every three years. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. This provides an opportunity for shareholders to renew their mandate. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate statement accompanying the Notice of AGM.

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

For the current year, the Board is recommending to the shareholders that Dato' Seri Ir. Dr. Zaini bin Ujang, Datin Paduka Kartini binti Haji Abdul Manaf and Datuk Nik Moustpha bin Haji Nik Hassan to be re-elected as directors of the Company at the forthcoming AGM under Articles 91 and 96 of the Company's Articles of Association, respectively.

### (ii) Induction Programme

As part of the familiarisation process, newly appointed Board members are required to undergo an Induction Programme specially designed to familiarise the directors with the businesses within the Group. This familiarisation process includes briefing session on the range of products and services, business structure and visits to the respective operating facilities. The visits will include briefings from the respective businesses' management to provide in-depth knowledge of the latest progress of the respective businesses and appreciation of the key drivers behind the Group's core businesses. For the current year, visits to the various operating facilities within the Group have been organised for Dato' Hajah Normala binti Abdul Samad and Datuk Nik Moustpha bin Haji Nik Hassan who were appointed to the Board on 25 March 2016 and 9 September 2016, respectively. Business briefings have been organised and conducted to bring them up to speed on the Company's businesses.



# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

## (iii) Board Evaluation Assessment (“BEA”)

The Group has in place a Board Evaluation Assessment (“BEA”) which is conducted on an annual basis. The Board Evaluation Assessment criteria are based on the Green Book - Enhancing Board Effectiveness as well as guidelines and best practices issued by Bursa Malaysia and other relevant authorities which are based on the following main components:

- Structuring a high performing Board;
- Ensuring a day-to-day Board operations and interactions; and
- Fulfilling fundamental Board roles and responsibilities at best practice levels.

The NRC is given the task to review annually the activities and effectiveness of the Board, Board Committees and the individual Board Members. The results of such evaluation will be discussed with the Committee and/or the Chairman and subsequently tabled to the Board. Actionable improvement programme will be developed to improve the performance of the Board.

In addition to the Board Evaluation Assessment, a Chairman Effectiveness Assessment is also conducted on an annual basis covering the areas of leadership, relationship, ethics and communication with stakeholders. Each Board Committee also conducts an annual self-evaluation in respect of the roles and functions as set out in the terms of reference of each Board Committee, interaction/participation at Board Committees activities, value adds, expertise and experience as well as areas of improvements required. A sample of the Board, Director and Committee Evaluation Assessment is accessible on the Company’s website.

## (iv) Boardroom Diversity

The Board recognises the importance of diversity as an essential measure of good governance. Consequently, as part of the Board’s Selection and Nomination process, due emphasis will be given to ensure that the Board of the Company comprises members from a diverse background of skills, professional experience, age, ethnicity and culture to provide different perspective and viewpoints for better decision making. The Board currently comprised of eight (8) Bumiputera Directors and one (1) Non-Bumiputera director. Six (6) directors are in the 50 – 59 years age group while three (3) directors are in the 60 years and above age group.

The Board has also given their commitment on gender diversity by adopting a policy to ensure that at least 30% women directors are on the Board. The Board now comprises of six (6) male directors and three (3) female directors.

## (v) Remuneration Policy

The remuneration of Directors is determined at levels which enable the Group to attract and retain Directors with the relevant experience and expertise to manage the Group successfully.

The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the Group Managing Director. In the case of Non-Executive Directors, the Board has established a formal and transparent remuneration policy to attract and retain Directors, motivate Directors to achieve Company’s objective and align interest of Directors with long-term interest of shareholders. The level of remuneration for Non-Executive Directors is based on their responsibilities in Committees and the Board, their attendance and/or special skills and expertise they bring to the Board.

## (a) Directors' Remuneration

The Non-Executives Directors are entitled to directors' fees. The Board has recommended to shareholders in 2012 for a proposed revision to the directors' fees so that it is in line with market and industry's practice. The proposal has been approved at the Annual General Meeting of the Company in 2012. As a result of the approval, the Chairman of the Board now receives a director's fee of RM100,000 per annum while each Non-Executive Director receives director's fee of RM75,000 per annum.

In addition to the directors' fees, the Non-Executive Directors are also entitled to Board Committee Fees on which they sit and meeting allowance for each meeting attended.

The Group Managing Director is not entitled to receive any directors' fees, board committee fees or meeting allowance. However, he is entitled to a token amount for his directorships in subsidiary companies. The Group Managing Director's remuneration comprises of a fixed component which includes a monthly salary and benefit-in-kind/emoluments and a variable component in the form of performance bonus.

The aggregate remuneration of Directors categorised into appropriate components for the financial year ended 31 December 2016 is as follows:

RM'000	Category of Directors			
	Group Managing Director		Non-Executive Director	
	Company	Group	Company	Group
Fees	-	-	698	972
Allowance	-	21	181	212
Salaries and Bonus	586	1,182	-	-
Other Emoluments	190	322	-	-
Benefits-in-Kind	47	47	-	-
<b>Total</b>	<b>823</b>	<b>1,572</b>	<b>879</b>	<b>1,184</b>

**Range of Remuneration**

	Category of Directors			
	Executive		Non-Executive	
	Company	Group	Company	Group
RM1 to RM50,000	-	-	1	1
RM50,001 to RM100,000	-	-	1	-
RM100,001 to RM150,000	-	-	5	3
RM150,001 to RM200,000	-	-	1	3
RM200,001 and above	1	1	-	1

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

The remunerations of the Directors Fees for the financial year ended 31 December 2016 are as follows:

Name	Category of Directors	Director Fees (RM'000)		Committee Fees (RM'000)		Allowance (RM'000)		Salary & Bonuses (RM'000)		Other Emoluments (RM'000)		Benefit-in-kind (RM'000)		Total (RM'000)	
		Co.	Grp.	Co.	Grp.	Co.	Grp.	Co.	Grp.	Co.	Grp.	Co.	Grp.	Co.	Grp.
Dato' Hajiah Normala binti Abdul Samad	Non-Executive	77	128	-	-	9	11	-	-	-	-	-	-	86	139
Leonard Ariff bin Abdul Shatar	Group Managing Director	-	-	-	-	-	21	586	1,182	190	322	47	47	823	1,572
Dato' Azmi bin Mohd Ali	Non-Executive	75	125	18	21	27	30	-	-	-	-	-	-	120	176
Khalid bin Sufat	Non-Executive	75	114	20	20	31	39	-	-	-	-	-	-	126	173
Dr. Leong Chik Weng	Non-Executive	75	96	18	18	27	31	-	-	-	-	-	-	120	145
Dato' Seri Ir. Dr. Zaini bin Ujang	Non-Executive	75	93	16	16	23	27	-	-	-	-	-	-	114	136
Datin Paduka Kartini binti Haji Abd Manaf	Non-Executive	75	114	54	54	40	48	-	-	-	-	-	-	169	216
Tan Sri Siti Sa'diah binti Sh. Bakir	Non-Executive	75	125	16	20	21	23	-	-	-	-	-	-	112	168
Dato' Nik Moustpha bin Haji Nik Hassan	Non-Executive	23	23	5	5	3	3	-	-	-	-	-	-	31	31
<b>Total</b>		<b>550</b>	<b>818</b>	<b>147</b>	<b>154</b>	<b>181</b>	<b>233</b>	<b>586</b>	<b>1,182</b>	<b>190</b>	<b>322</b>	<b>47</b>	<b>47</b>	<b>1,702</b>	<b>2,756</b>

(b) Directors and Officers Liability Insurance

In addition to the directors remuneration above, the directors are provided with a Directors and Officers Liability Insurance in respect of any liability arising in the course of discharging their duties as directors of the Company provided always that such liability occurs in good faith and not as a result of dishonesty, fraud, insider trading, malicious conduct and/or intentional breach of contract.

### 3. REINFORCE INDEPENDENCE

The Independent Non-Executive Directors provide an unbiased and independent view in ensuring that the strategies proposed by Management are fully deliberated and examined in the interest of the Group, minority shareholders, employees and the business communities in which the Group conducts its business.

#### 3.1 Annual Assessment of Independent Directors

The Board consists of eight (8) Non-Executive Directors, four (4) of which are independent and one (1) Executive Director. In ensuring that independent judgments are not compromised, the Board has adopted a policy on assessment of independence on its independent directors which is conducted on an annual basis or as and when a disclosure is made by any Director in respect of any new interest or relationship. The policy makes reference to Chapter 1 and Practice Note 13 of Bursa Malaysia's Main Market Listing Requirements. A sample of the annual assessment form for Independent Directors can be accessed on the Company's website.

Based on the assessment conducted recently, the Board is generally satisfied with the level of independence demonstrated by the independent directors and their ability to act in the best interest of the Group.

#### 3.2 Tenure of Independent Director

One of the recommendations under the Code is to limit the tenure of independent directors to not more than nine (9) years, cumulatively. The recommendation is based on the view that the independence of an independent director may be affected if his tenure exceeds a cumulative term of nine years either in a consecutive service of nine years or cumulative service of nine years interval. The Board may, upon the completion of the nine years, re-designate the independent directors to a non-independent director if it is so determined that the expertise and experience of the independent director are still relevant to the Group. Currently, the tenure of all Independent Directors on the Board have not exceeded nine (9) years.

#### 3.3 Position of Chairman and Group Managing Director and Board Balance

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

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

At the general meetings of the Group, the Chairman will ensure that the shareholders are given the opportunity to enquire on the Group's affairs. The Group Managing Director focuses on the business and the day-to-day management of the Company and Group. He is the conduit between the Board and Management in ensuring the success of the Group's governance and management functions. The Group Managing Director implements the policies, strategies and decisions adopted by the Board.

The Board is chaired by a Non-Independent Non-Executive Chairman. Whilst the Company supports the recommendations made under the Code, the Company maintains that the Chairmanship of the Board shall continue to be held by a Non-Independent Non-Executive Director. The Board is of the view that the Chairman will remain objective in expressing her views and will allow all Board members the opportunity to participate and express their views in deliberations and decision making of the Board without fear or favour. In addition, any decisions arrived at the Board are made on consensus. Despite this, the Board will endeavour that the composition of the independent directors comprises of at least one third (1/3) of the Board to ensure balance of power and authority on the Board. Currently the independent directors comprise of 44.4% of the total composition of the Board.

## 4. FOSTER COMMITMENT

### 4.1 Time Commitment

The Board has established a formal and transparent policy on the Appointment of Directors. In recommending or nominating a candidate to fill the position of Director of the Company, the Board will consider the candidate's ability to devote sufficient time to effectively discharge the duties as a director of the Company. This includes attendance of at least 50% of all board of directors and board committee meetings, participation in training programmes, site visits or as determined from time to time by the Board. Appointed directors are also expected to devote their time to other matters involving the Company's affairs. In addition to the policy above, the time commitment required of the Directors are also incorporated as one of the terms in their appointment letter to the Board.

Any Board member, while holding office, is at liberty to accept other Board appointments (outside the Group) so long as the appointment is not in conflict with the business of the Company and Group or does not detrimentally affect the director's performance as a Board member. All such appointments must first be discussed with the Chairman or the Board before being accepted.

In line with Bursa Malaysia's Main Market Listing Requirements ("MMLR"), Directors are also required to comply with the requirements of having not more than five (5) directorships in listed companies. This allows them to devote their time and discharge their duties effectively with the companies in which they are directors. Board meetings are scheduled a year ahead in order to enable full attendance.

### 4.2 Continuing Education Programme

The Board acknowledges the importance of continuous education and training to enable effective discharge of its responsibility. All Board members have attended the Mandatory Accreditation Programme ("MAP") as prescribed by MMLR and the costs are borne by the Company.

The Continuing Education Programme focuses on business specific issues relating to the Group and the latest development within the related industries and is conducted in-house at least two times a year. The programme is extended to all Directors and Senior Management of the Group. The Directors have, on their own initiatives, requested to attend ad-hoc trainings, seminars or conferences conducted by third party to enhance their knowledge or skills in specific areas. The costs of attending such training or forum are borne by the Group. The training/seminars/conferences attended by Directors cover the areas of law and business development.



During the year, the Group has organised the following trainings and breakfast talks, which were facilitated by industry experts, as part of the Continuing Education Programme:

1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers
2. Companies Bill 2015
3. Corporate Liability Act: What's Next?
4. Scenario Planning Workshop

Listed below are the attendance of Directors at trainings organised by the Company or attended on their own initiatives during the year:

Name	Training or Conference Attended
Dato' Hajah Normala binti Abdul Samad	<ol style="list-style-type: none"> <li>1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers</li> <li>2. Companies Bill 2015 by Messrs. Rahmat Lim &amp; Partners.</li> <li>3. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission</li> <li>4. Mandatory Accreditation Programme (MAP) by The Iclif Leadership And Governance Centre</li> <li>5. How Effective Boards Engage on Succession Planning for the CEO and Top Management</li> <li>6. Board Chairman Series Part 2: Leadership Excellence from the Chair</li> <li>7. CG Breakfast Series with Directors: "The Cyberjaya Security Threat and How Board Should Mitigate the Risks"</li> </ol>
Leonard Ariff bin Abdul Shatar	<ol style="list-style-type: none"> <li>1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers</li> <li>2. Companies Bill 2015 by Messrs. Rahmat Lim &amp; Partners.</li> <li>3. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission</li> <li>4. CPhI Worldwide</li> </ol>
Dato' Azmi bin Mohd Ali	<ol style="list-style-type: none"> <li>1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers</li> <li>2. Companies Bill 2015 by Messrs. Rahmat Lim &amp; Partners.</li> <li>3. Legal Forum for Tenaga Nasional Berhad's Legal Counsels</li> <li>4. The Outlook of the World's Economy : Challenges and Opportunities for Malaysian Companies by Prof. Alan B Krueger, Bendheim Professor of Economics and Public Affairs at Princeton University, USA</li> <li>5. MINDA's PowerTalk on "What Will Distinguish the Great Boards of Tomorrow?" by Beverly A. Behan</li> <li>6. Briefing on the various methods of Liquidation &amp; Insolvency by Encik Mohd Afrizan Husain (Managing Partner, Aftaas)</li> <li>7. The Direction of Global Competition in Malaysia by Prof. Richard HK Vietor</li> <li>8. "Talk on tax matters" by Mr Saravanan (Partner, Lee Hishammuddin Allen &amp; Gledhill)</li> <li>9. Breakfast Talk –Session 1 " Future Mega Trends Based On Malaysia Perspective" by Frost &amp; Sullivan</li> <li>10. The Cyber security Threat and How Boards Should Mitigate the Risks by Dr. Jessie Barker</li> <li>11. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission</li> <li>12. Table Talk with Russian Lawyers</li> <li>13. Scenario Planning Workshop</li> </ol>
Khalid bin Sufat	<ol style="list-style-type: none"> <li>1. ACCA Annual Conference</li> <li>2. World Economic Outlook</li> <li>3. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers</li> <li>4. Foreign Exchange Administration Rules</li> <li>5. Companies Bill 2015 by Messrs. Rahmat Lim &amp; Partners.</li> <li>6. Succession Planning for CEOs</li> <li>7. Role of Chairman and Independent Directors</li> <li>8. MIA International Accountants Conference</li> </ol>

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

Name	Training or Conference Attended
Dr. Leong Chik Weng	<ol style="list-style-type: none"> <li>1. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission</li> <li>2. Companies Bill 2015 by Messrs. Rahmat Lim &amp; Partners</li> </ol>
Dato' Seri Dr. Ir. Zaini bin Ujang	<ol style="list-style-type: none"> <li>1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers</li> <li>2. Companies Bill 2015 by Messrs. Rahmat Lim &amp; Partners</li> </ol>
Datin Paduka Kartini binti Haji Abdul Manaf	<ol style="list-style-type: none"> <li>1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers</li> <li>2. Companies Bill 2015 by Messrs. Rahmat Lim &amp; Partners.</li> <li>3. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission;</li> <li>4. 46<sup>th</sup> St. Gallen Symposium and Pictet Asset Management Visit</li> <li>5. International Forum on the World's Economic Outlook: Challenges &amp; Opportunities for Malaysian Companies</li> <li>6. The Direction of Global Competition in Malaysia by Prof. Richard Hic Victor</li> <li>7. PNB Quality Award Internal Convention</li> </ol>
Tan Sri Siti Sa'diah binti Sh. Bakir	<ol style="list-style-type: none"> <li>1. Companies Bill 2015 by Messrs. Rahmat Lim &amp; Partners</li> <li>2. UTM Simposium Sinergi IPT, Industri dan Kerajaan Johor Dalam Memperkasa Inovasi 'Memperkasa Inovasi Ke Arah Kesejahteraan Johor' (as Panelist)</li> <li>3. Bursa Malaysia Independent Directors Programme - The Essence of Independence</li> <li>4. The Institute of Internal Auditors Malaysia 2016 Audit Committee Conference "Setting the Right Tone"</li> <li>5. International Forum on Quality and Safety in Healthcare</li> <li>6. KPJUC 3<sup>rd</sup> International Conference on Multidisciplinary Healthcare</li> <li>7. 8<sup>th</sup> APHM International Healthcare Conference and Exhibition "Safe and Efficient Hospitals: Healthy Outcomes for both Patients and Shareholders"</li> <li>8. Public Lecture CIMB-UUM</li> <li>9. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission</li> <li>10. OSK Holdings Berhad on Companies Bill 2015: Key Amendment Relevant to Directors</li> <li>11. OSK Holdings Berhad - Fraud Risk Management – Whose responsibility is it?</li> <li>12. Learning and Development Conference - Learning to Lead a New Industry (as Speaker)</li> <li>13. Sesi Perkongsian Transformasi Hospital (as Speaker)</li> <li>14. 3<sup>rd</sup> Retirement Living and Senior Care SEA Conference Asia 2016 World Southeast Asia 2016 – How can projects best leverage the unique expertise, knowledge and market insight that each partner offers? (as Panelist)</li> <li>15. Program CEO @ FSK Fakulti Sains Kesihatan Universiti Teknologi MARA – "The Future of Private Healthcare Services in Malaysia" (as Speaker)</li> <li>16. ISQua's 33<sup>rd</sup> International Conference Tokyo 2016 - "Change and Sustainability in Healthcare Quality: The Future Challenges"</li> <li>17. INPUMA # UM 111 Be Inspired UM-JCorp Carnival – "Building a Dynamic and Entrepreneurial Youth Culture, a Life Dedication: Personal Experience" (as Speaker)</li> <li>18. OYAGB UUM – JPA (JUSA) Excellence in Leadership – "Leadership, Change &amp; Transformation for Sustainability" (as Speaker)</li> <li>19. Bursa Malaysia – "The Cybersecurity Threat and How Board should Mitigate the Risks"</li> <li>20. Women's Institute Management Conference 2016 – "Integrity and Governance for Company Directors (Public and Private Sectors)" and "Corporate Governance Practices in Private Sector Board" (as Speaker)</li> <li>21. CCMB Spurring the Bumiputera Agenda Through BVDP: A Collaboration between CCMB and MITI</li> <li>22. MSQH Healthcare Summit 2016 – "Enhancing Ethical, Safe and Quality Care through Patient and Family Engagement", and "Do Malaysian Healthcare Service Providers have the Values to Deliver Ethical, Safe and Quality Care?" (as Moderator)</li> <li>23. Convention for Young Administrators of ASEAN Universities 2016 – Jawatankuasa Latihan Universiti-Universiti Malaysia (JALUMA) – "Inculcating Culture Engagement in University Environment" (as Speaker)</li> </ol>

Name	Training or Conference Attended
Datuk Nik Moustpha bin Haji Nik Hassan	1. Current Issues in Corporate Governance Programme by International Centre for Education in Islamic Finance 2. Corporate Governance Breakfast series on “How to Leverage on AGMs for Better Engagement with Shareholders” by Bursa Malaysia and Malaysia Institute of Chartered Secretaries & Administrators (“MAICSA”)

## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with Applicable Reporting Standards

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Group’s financial position and prospects. In this regard, the Board has delegated its authority to the Audit and Compliance Committee to ensure that the preparation of financial statements complies with the Companies Act, 1965 and approved Malaysia Financial Reporting Standards (“MFRS”) and that the accounts give a true and fair view of the state of affairs of the Group at the end of the financial year.

The Company maintains a transparent relationship with its external auditors and seeks professional advice to ensure that the accounting standards are complied with. The Audit and Compliance Committee discusses with the external auditors the scope of the audit and reporting obligations before the audit commences. The Audit and Compliance Committee ensures that Management provides timely responses on all material queries raised by the external auditors.

The Audit and Compliance Committee meets on a quarterly basis to review the integrity and reliability of the financial statements in the presence of the Group Managing Director, Group Chief Operating Officer cum Chief Financial Officer, and Group Internal Auditor prior to recommending them for Board approval, before being released to Bursa Securities. In addition to this, the Audit and Compliance Committee also holds separate meetings from the meetings on the financial statements, on a quarterly basis, to deliberate on the status of internal audit plans, internal audit reports, status of Management’s corrective actions, Group Integrity and Assurance scorecard, updates on whistle-blowing report and progress on integrity initiatives undertaken by the Group.

The Audit and Compliance Committee, with the assistance of and assurance from the Group Internal Auditor, also reviews the internal control within the organisation in ensuring the custody, effective and efficient utilisation of Group assets. The Audit and Compliance Committee also reviews any related party transactions that may arise within the Group. These items are also discussed and deliberated at Audit and Compliance Committee meetings to ensure they are properly and effectively deliberated.

Private meetings are also held with the Group Internal Auditor to discuss key audit and internal control matters.

### 5.2 Suitability and Independence of External Auditors

The Audit and Compliance Committee will review the performance of the External Auditor on an annual basis after completion of the year-end audit on the suitability and independence of the External Auditors. In evaluating the suitability and effectiveness of external audit, the Audit and Compliance Committee will review the overall comprehensive external audit plan, the timeliness and quality of deliverables and the competency/adequacy of the resources to achieve the scope outlined in the audit plan. The Audit and Compliance Committee in reviewing the re-appointment of external auditors for tabling at the 55<sup>th</sup> Annual General Meeting had considered their independence (including obtaining the written assurance confirming their independence throughout the audit engagement), objectivity and effectiveness. The Audit and Compliance Committee is satisfied with the external auditors’ technical competency and audit independence.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

The Audit and Compliance Committee held two (2) meetings with the External Auditors without the presence of Management during the financial year under review.

The Board has also approved a policy on External Auditors' Independence, of which the full policy is published at the Company's website at [www.ccmbherhad.com](http://www.ccmbherhad.com). The Audit and Compliance Committee further ensures that the policies governing the provision on non-audit fees are observed.

## 6. RECOGNISE AND MANAGE RISKS

The Directors are fully aware of the responsibilities to maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The Directors' responsibilities for the Group's system of internal controls cover not only financial aspects of the business but also operational and compliance control as well as risk management matters.

### 6.1 Establish Sound Framework to Manage Risks

The Board, through the Risk Management Committee ("RMC"), determines the Group's level of risk tolerance and actively identifies, assesses and monitors key business risks to safeguard shareholders' investment and the Group's assets.

The Group's risk management function is performed by the Group Risk Management Department which reports the results of the risk management activities to RMC. The Department facilitates the risk management processes within the Group.

The Group has established a formal Risk Management Manual and Guidelines, specifying clear Risk Management framework, policy and procedures, which are aligned with the methodologies of ISO 31000, the international standards on managing risks. It includes the guidelines on the identification, analysis, evaluation, monitoring, communication and consultation of risks for the organisation.

### 6.2 Internal Audit Function

The Group has established an in-house internal audit function. The internal audit function within the Group Integrity and Assurance Department is responsible for reviewing the effectiveness and efficiency of the internal control systems of the selected activities/areas.

The internal audit function reports directly to the Audit and Compliance Committee and is independent of the activities that were audited. The Group Integrity and Assurance Department has direct access to the Board through the Chairman of the Audit and Compliance Committee.

The Group Integrity and Assurance Department provides assurance to the Audit and Compliance Committee on matters relating to the systems of internal control by performing regular reviews on compliance of operational procedures using risk-based audit approach. Investigations are also conducted on specific areas or issues as directed by Audit and Compliance Committee and the Management.

The internal audit function is well-resourced which enables critical reviews on selected aspects of the Company's activities and internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis.

Details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control, the Risk Management Committee Report and Audit and Compliance Committee Report of this Annual Report on pages 89 to 94, 82 to 85 and 79 to 81 respectively.

## 7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policy

The Group has long observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. The Group has put in place a Corporate Disclosure Policy and Procedures for the following purposes:

- provide shareholders, investors, analysts, media representatives and other stakeholders with comprehensive, accurate and quality information issued by the Group on a timely and even basis;
- raise awareness and provide guidance to the Board, Management, officers and employees on the Group's disclosure requirements and practices;
- ensure that the Group meets its disclosure obligations in accordance with the securities laws and regulations governing corporate disclosure and confidentiality in relation to securities listed on Bursa Malaysia;
- ensure that the Group observes best practices in relation to disclosure as illustrated in the Corporate Disclosure Guide by the Exchange; and
- promote investor confidence in the integrity of the Company.

The policy is applicable to the conduct of directors, officers, managers and employees of the Group and to all methods that the Group uses to communicate with the investing public in the dissemination of material information especially price sensitive information.

The following material information and the material development thereof have been released to shareholders via the Bursa Malaysia Link in a timely manner:

<b>Date of announcement</b>	<b>Subject matter of material information</b>
24 February 2016	Proposed Sale of three (3) parcels of land in Medan, Indonesia together with the building thereon by P.T. CCM Agripharma to P.T. Feedmill Indonesia.
26 and 29 February 2016	Clarification with respect to announcement dated 24 February 2016 on Proposed Sale of three (3) parcels of land in Medan, Indonesia together with the building thereon by P.T. CCM Agripharma to P.T. Feedmill Indonesia.
11 March 2016	Listing of PanGen Biotech Inc. (a company incorporated in the republic of Korea), an investee company of CCM on KOSDAQ (Korea Securities Dealers Automated Quotations) under the category of New Growth Engine Companies.
16 March 2016	Dealings in listed securities of the Company by a Principle Officer of CCM Duopharma Biotech Berhad, a major subsidiary of the Company.
25 March 2016	Appointment of Hajah Normala Binti Abdul Samad as Non-Independent Non-Executive Chairman.
20 May 2016	Completion of the Sale of three (3) parcels of land in Medan, Indonesia together with the building thereon by P.T. CCM Agripharma to P.T. Feedmill Indonesia on 19 May 2016.
30 June 2016	Proposed disposal of 100% equity interest in CCM Agriculture Sdn. Bhd. and 100% equity interests in CCM Agriculture (Sabah) Sdn. Bhd., two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the buildings thereon and certain trademarks under Cock's Head brand in relation to CCM Fertilizers' business.



# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

<b>Date of announcement</b>	<b>Subject matter of material information</b>
12 July 2016	Additional information with respect to announcement dated 30 June 2016 on Proposed disposal of 100% equity interest in CCM Agriculture Sdn. Bhd. and 100% equity interests in CCM Agriculture (Sabah) Sdn. Bhd., two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the buildings thereon and certain trademarks under Cock's Head brand in relation to CCM Fertilizers' business.
16 August 2016	Drawdown of RM100 million Islamic Banking Term Loan facility from Affin Islamic Bank Berhad.
5 October 2016	Proposed disposal of 100% equity interest in CCM Agriculture (Sabah) Sdn. Bhd., two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the buildings thereon and certain trademarks under Cock's Head brand in relation to CCM Fertilizers' business.
31 October 2016	Proposed disposal of 100% equity interest in CCM Agriculture Sdn. Bhd. and 100% equity interest on CCM Agriculture (Sabah) Sdn. Bhd., two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the land and buildings thereon and certain trademarks under Cock's Head brand in relation to CCM Fertilizers' business -Extension of completion date of the Share Sale Agreement and Sale and Purchase Agreement.
15 November 2016	Fulfilment of Condition Precedents of Share Sale Agreement and Sale and Purchase Agreement of 100% equity interest in CCM Agriculture Sdn. Bhd. and 100% equity interests in CCM Agriculture (Sabah) Sdn. Bhd., two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the buildings thereon and certain trademarks under Cock's Head brand in relation to CCM Fertilizers' business.

## 7.2 Leverage on Information Technology for Effective Dissemination

The Group uses its website to disseminate information and enhance its investor relations. The Group's website, [www.ccmberhad.com](http://www.ccmberhad.com), contains information about the Company/Group, its products and businesses, announcements which have been made available to the public as well as other areas of interest to the public. The website contains a section on Investor Relations which provides the investing public with all material information documents which have been released.

All timely disclosure and material information documents will be posted on the website as soon as possible after their release by the news wire services.

In addition to the corporate website, the Group has also embraced the social media to keep its current and former employees and other stakeholders updated and connected with the latest development of the Group.

## 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Encourage Shareholder Participation at General Meetings

Notices of general meetings and the accompanying explanatory materials are provided within the prescribed time or earlier than the minimum notice period prior to the meetings on the Bursa Malaysia website and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

To encourage participation at general meetings, the Company has in 2012, removed the limit on the number of proxies to be appointed by an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one

securities account. The Company has also included a new provision in its Constitution in respect of the qualification and the right of a proxy to speak at general meetings. Under the new provision, any person could be appointed by the shareholders as a proxy. The proxy shall have the same rights as the shareholder to speak at the meeting.

## 8.2 Encourage Poll Voting

Shareholders also have the right to demand poll vote for substantive resolutions and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Malaysia.

At the last AGM, the Company had highlighted the right of the shareholders to demand for poll voting. However, the shareholders have opted for voting to be done by show of hands and resolutions put forth for shareholders' approval at the last AGM were voted on by show of hands.

Following the amendments to the Bursa Malaysia Listing Requirements in 2015, all voting of resolutions in the notice of meeting shall be conducted by poll. As such, voting of all resolutions in the notice of meeting at the Company's general meetings shall now be conducted by poll, henceforth.

## 8.3 Effective Communication and Proactive Engagement

The Company encourages shareholders to ask questions and provide constructive feedback on the performance of the Company. Members of the Board, the Group's Senior Management, as well as the Group's auditors will be present to answer questions about the Group's affairs. In addition to the normal agenda for the AGM, the Board also presents the progress and performance of the business as contained in the Annual Report.

The Board believes that Management speaks for the Group. In this instance, the Group has adopted a Communication Policy to provide sufficient information to shareholders to allow them to effectively evaluate the performance of the Company. The Company has adopted the following communication channels with shareholders:

### (i) Annual General Meeting

The Annual General Meeting ("AGM") provides a forum for dialogue with shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with a constructive feedback from the Company's shareholders. Members of the Board, the Group's Senior Management, as well as the Group's auditors will be present to answer questions about the Group's affairs. In addition to the normal agenda for the AGM, the Chairman will brief on the overview of the Company's performance and prospects while the Group Managing Director will present the details on progress and performance of the business as contained in the Annual Report. Shareholders will be given the opportunity to raise questions pertaining to the business activities of the Group. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Where necessary, the Chairman or the Group Managing Director will undertake to provide written answers to any significant questions that cannot be readily answered at the meeting.

The turnout of shareholders at the Company's AGM has always been large. A total of 597 shareholders and 824 proxies attended the AGM in 2016.

### (ii) Extraordinary General Meetings

Extraordinary General Meetings ("EGM") will be held as and when required. The Directors will consider requisitions by shareholders to convene EGM or any other urgent matters requiring immediate attention of the Company.

Notices of general meetings and the accompanying explanatory materials are provided within the prescribed time or earlier than the minimum notice period prior to the meetings on the Bursa Malaysia website and by post to shareholders.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

Shareholders also have the right to demand poll vote for substantive resolutions and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Malaysia.

In line with Chapter 9.21(2) of the Bursa Malaysia Listing Requirements, the Company has published the summary of its AGM minutes containing key matters discussed on the Company's website to provide greater transparency and expedience so that the public's investing decisions are always taken with the latest and most comprehensive information.

## (iii) Annual Report

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

The Company's Annual Report can be obtained by accessing the Company's website at [www.ccmbherhad.com](http://www.ccmbherhad.com).

## (iv) Company's Website

The Company also maintains a website at [www.ccmbherhad.com](http://www.ccmbherhad.com) which can be accessed by shareholders to keep abreast with the Company's development. The Company's website contains information on the Company, business activities, investor relations activities, corporate governance among others, the corporate responsibilities and media releases made by the Company.

The Board ensures the timely release of financial results on quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements or press releases made during the year which can also be obtained from Bursa Malaysia's website. The shareholders can also leave their queries/feedbacks on the Company's website.

The Company has also embraced the social media as a means of effective communication. The social media pages contains events and latest happenings within the CCM Group to keep its stakeholders updated.

## (v) Announcement of Quarterly Results for the Financial Year Ended 31 December 2016

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

<b>Announcement of Quarterly Results 2016</b>	<b>Date of Announcement</b>
Q1 2016	23 May 2016
Q2 2016	26 August 2016
Q3 2016	25 November 2016
Q4 2016	27 February 2017

## STATEMENT OF COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE

The Group has in, all material respects, complied with the principles and recommendations of the Malaysian Code of Corporate Governance 2012 (the "Code") throughout the financial year ended 31 December 2016, save for Recommendation 3.5 on Independent Chairman (Principle 3) which was explained earlier.

This statement is made in accordance with a resolution of the Board of Directors dated 27 February 2017.

# 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 2016.

## 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.

A total of eight (8) 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
<b>Khalid bin Sufat</b> Chairman, Senior Independent Non-Executive Director	8/8
<b>Datin Paduka Kartini binti Haji Abdul Manaf</b> Member, Non-Independent Non-Executive Director	8/8
<b>Tan Sri Siti Sa'diah binti Sh. Bakir</b> Member, Independent Non-Executive Director	8/8
<b>Datuk Nik Moustpha Bin Haji Nik Hassan</b> Member, Independent Non-Executive Director (Appointed w.e.f. 9 September 2016)	1/1

Details on the Terms of Reference of the Audit and Compliance Committee are available on the Company's website.

## SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR

- (i) Reviewed and approved the Annual Internal Audit Plan to ensure adequate coverage of the Group's operations;
- (ii) Reviewed the budget and Key Performance Indicators of the Group Integrity and Assurance Department;
- (iii) Reviewed the scorecard and status report of internal audit activities of the Group, on a quarterly basis, to ensure that all planned activities were properly carried out;
- (iv) Deliberated on the internal audit reports prepared by the Group Internal Auditor, as well as the agreed Management's action plans and deadline for implementation. Where necessary, instructed additional actions to be taken by Management in addressing the audit issues;
- (v) Monitored the status of corrective actions taken by Management, on a quarterly basis, to ensure that all audit issues are adequately addressed within the agreed timeline;
- (vi) Deliberated on the special investigation reports prepared by the Group Internal Auditor, and provided feedback on the actions taken by the Management on the issues at hand. The progress of the significant cases was monitored until their closure;
- (vii) Held private meetings and discussions with the Group Internal Auditor on significant audit and internal control matters;
- (viii) Reviewed the external auditor's audit plan and engagement strategy for the financial year ended 31 December 2016, covering the audit focus area, which also include a review on the IT systems, audit materiality and methodology and internal control systems;
- (ix) Reviewed the external auditor's report for the financial year ended 31 December 2015, including matters relating to adjustments arising from the external audit review and adequacy of disclosures, prior to making recommendation to the Board for approval. Following the Group's decision to exit from the Fertilizers Business, matters relating to the accounting treatments on the non-operating business, namely the financial effects on adoption of MFRS 5 (*Non-Current Assets Held For Sale and Discontinued Operations*) was addressed. The matter was deliberated at length to ensure that the true and fair presentations and disclosures were made in the financial statements;
- (x) Deliberated on the observations highlighted by the external auditors, and the respective management action plans and status updates;

# REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE (Cont'd)

- (xi) Held private meetings and discussions with the external auditors to allow for discussions on matters of concern;
- (xii) Evaluated the performance and independence of the external auditors and made recommendations to the Board on their re-appointment and audit fees;
- (xiii) Reviewed the quarterly reports in respect of the results to ensure compliance to the Malaysian Financial Reporting Standard and regulatory requirements, and recommended to the Board for subsequent release to Bursa Malaysia;
- (xiv) Reviewed the draft announcements of the audited and unaudited financial statements to Bursa Malaysia, to ensure compliance with the regulatory requirements;
- (xv) Reviewed the related party transactions entered into by the Group and the disclosure of such transactions in the annual report and circular on recurrent related party transactions;
- (xvi) Reviewed and recommended to the Board on dividends to be declared to the shareholders of the Company;
- (xvii) Ensured the recommended principles and best practices of the Malaysian Code on Corporate Governance are implemented throughout the Group;
- (xviii) Reviewed and recommended to the Board bad debts and fixed assets write-off;
- (xix) Reviewed and updated the Board on Whistle Blowing and Integrity Initiatives;
- (xx) Reviewed the Directors' Statement on Risk Management and Internal Control ("SORMIC") for inclusion in the 2016 Annual Report. The SORMIC was supported by the Annual Assurance Statement on Risk Management and Internal Controls, which were signed off by the Group Managing Director and the Chief Financial Officer; and
- (xxi) Monitored the status of legal actions taken by the Company on matters relating to debtors, sales tax and employee Industrial Relations.

## STATEMENT ON INTERNAL AUDIT FUNCTION

The Group Integrity and Assurance Department, which conducted all internal 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.

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.

Adopting a risk-based approach after evaluation and assessment of risks at Company and Group level, the Group Integrity and Assurance Department 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 and 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 2016, the Group Integrity and Assurance Department had issued 44 audit reports on areas under review includes Sales, Procurement, Project Management, Human Resource, Engineering, Distribution, IT systems, Governance as well as operations at the regional offices.

The Internal Audit reports, which included issues and action plans, were presented to, and discussed with, the Management. Group Integrity and Assurance Department 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.



In 2016, Group Integrity and Assurance Department together with the Group Risk Management Department conducted Risk and Internal Control Workshops throughout the Group to enhance the knowledge and understanding amongst the employees on the importance of managing risks by implementing the relevant controls.

The total expenditure incurred for Group Integrity and Assurance Department for the financial year ended 31 December 2016, which amongst others included departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. was approximately RM1.7 million.

### STATEMENT ON GROUP INTEGRITY FUNCTION

In respect of integrity matters, the Group Integrity and Assurance Department reports to the Integrity Committee. The Integrity Committee is a sub-committee of the Audit and Compliance Committee and is chaired by Datuk Nik Moustpha bin Haji Nik Hassan (Independent Non-Executive Director), who took over the helm from Datin Paduka Kartini binti Haji Abdul Manaf (Non-Independent Non-Executive Director) on 9 September 2016.

During the year, 4 meetings were held. The members of the Integrity Committee and their attendance record for the financial year are as follows:

Name of Members	No. of Meetings Attended
<b>Datuk Nik Moustpha bin Haji Nik Hassan</b> Independent Non-Executive Director (Appointed w.e.f. 9 September 2016)	1/1
<b>Leonard Ariff bin Abdul Shatar</b> Group Managing Director	4/4
<b>Nik Fazila binti Nik Mohamed Shihabuddin</b> Group Chief Operating Officer cum Chief Financial Officer	4/4
<b>Wan Aishah Idris binti Muhamad Idris</b> Head of Group Integrity and Assurance/Group Internal Auditor	4/4
<b>Ibrahim Hussin Salleh</b> General Manager, Legal/Company Secretary	4/4
<b>Datin Paduka Kartini binti Haji Abdul Manaf</b> Non-Independent Non-Executive Director (Resigned w.e.f. 9 September 2016)	4/4

The Group Integrity and Assurance Department 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 and confirming information/complaints received via the hotline.

The key events/activities in 2016 were as follows:

- (i) Integrity Champions Workshop was held in collaboration with the Malaysian Anti-Corruption Commission ("MACC") and Association of Certified Integrity Officer ("ACelO"), and a total of 3 Champions and 10 representatives have attended the workshop;
- (ii) Integrity Corner was launched in the Company's 2<sup>nd</sup> Quarter Townhall and reading materials have been obtained from MACC, National Key Result Area ("NKRA"), Institut Integriti Malaysia ("INTEGRITI") and Transparency International Malaysia ("TI") for the Integrity Corner;
- (iii) Second Phase of Integrity Pact briefings were held at Pharmaceuticals Division;
- (iv) Board of Director and Senior Management integrity training titled 'Corporate Liability Act: What's Next' was conducted in September 2016;
- (v) The Annual Integrity Day "Projek Kasih" conducted in collaboration with KL Krash Pad was held on 30 November 2016.

# 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 2016.

## Composition of Risk Management Committee and Meetings

The Risk Management Committee comprises of three (3) members, all of whom are Non-Executive Directors.

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

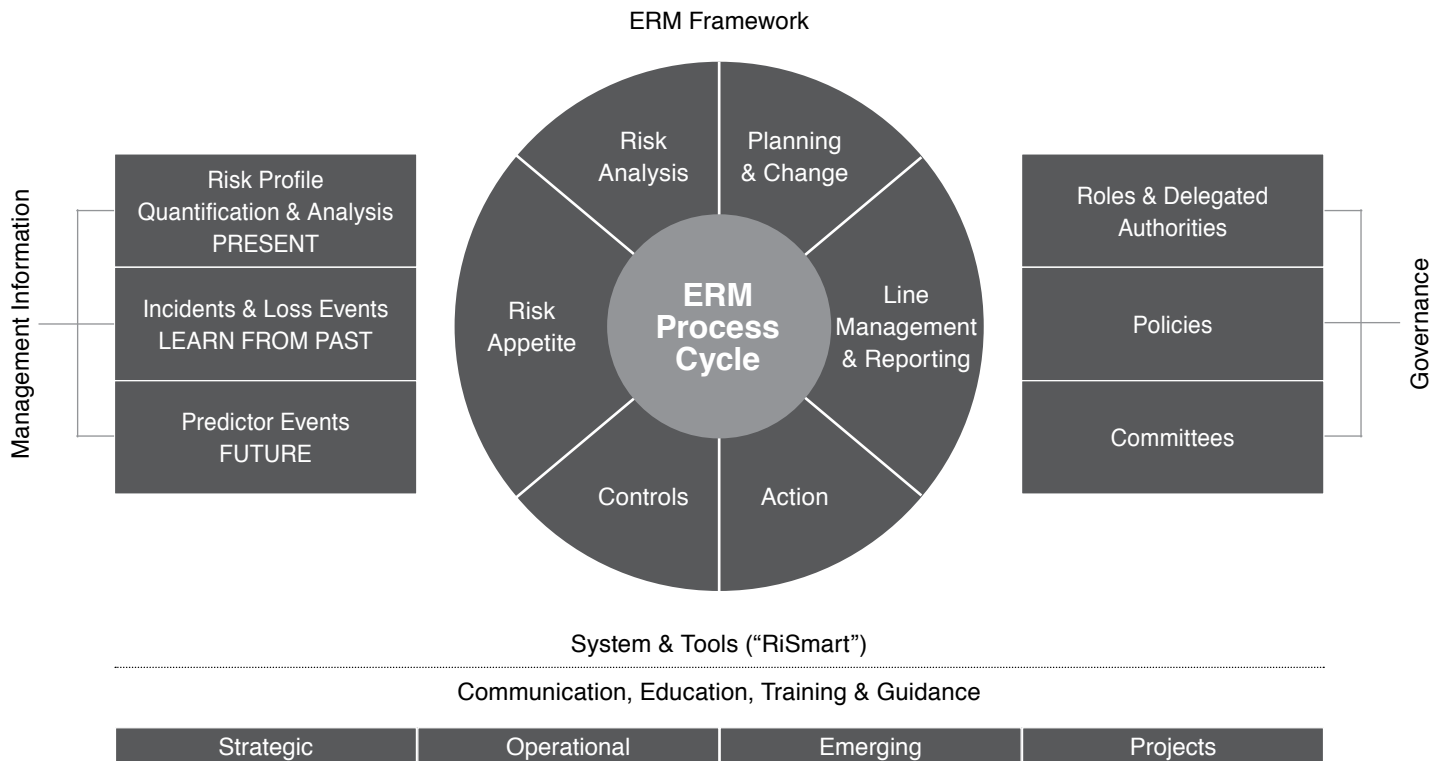
Name of Directors and Status	No. of Meetings Attended
<b>Dato' Azmi bin Mohd Ali</b> Chairman, Non-Independent Non-Executive Director	4/4
<b>Dato' Seri Ir. Dr. Zaini bin Ujang</b> Member, Non-Independent Non-Executive Director	4/4
<b>Tan Sri Siti Sa'diah binti Sh. Bakir</b> Member, Independent Non-Executive Director	3/4

Details on the Terms of Reference of the Risk Management Committee and the details of the Enterprise Risk Management ("ERM") framework and Enterprise Risk Management Reporting Statement can be found on the Company's website.

## RISK MANAGEMENT FUNCTION

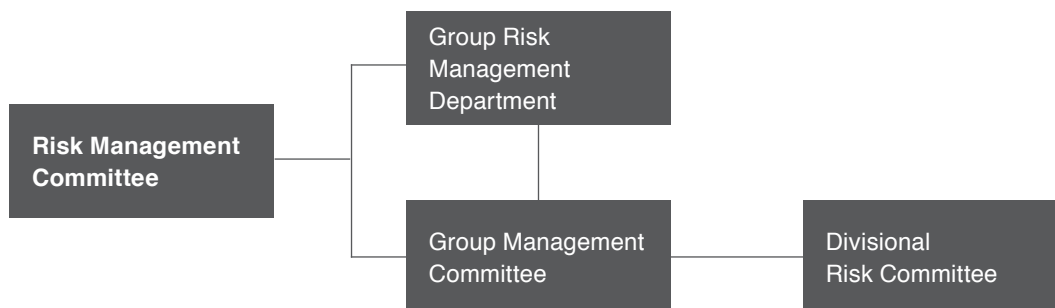
The Group's Risk Management Committee ("RMC") is supported by an in-house risk management function i.e. Group Risk Management Department ("GRMD"). GRMD provides risk advisory and supports various Boards, Group Management and Division Risk Committees in the Group in all matters of Enterprise Risk Management ("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.



The RMC receives reports from the Group Management Committee ("GMC") which is chaired by the Group Managing Director and comprises Senior Management of the Group. The GMC is assisted by the Divisional Risk Committees whose role is to identify, mitigate and manage risks within their businesses. The GMC 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**



# REPORT OF THE RISK MANAGEMENT COMMITTEE (Cont'd)

The Group adopts ISO 31000 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				
		High	High High	Extreme	Extreme	Extreme
LIKELIHOOD	High	Moderate	High	High High	Extreme	Extreme
	Moderate	Minor	Moderate	High	High High	Extreme
	Minor	Trivial	Moderate	Moderate	High	High High
	Trivial	Trivial	Minor	Moderate	High	High High
	Trivial	Trivial	Minor	Moderate	High	High High

## WORK DONE DURING THE YEAR

In December 2014, the Group had carried out a review on its existing Risk Management Framework. As a result, a 3 year (2015-2017) Risk Management Plan was developed. Based on the plan, 2016 activities focused on "Elevating Understanding" of risk. The following were implemented throughout 2016:

### Elevating Understanding on Risk Management

A formalised Risk Assessment Workshops were carried out throughout the year; to develop understanding of the importance of risk management and at the same time to ensure appropriate coverage of risk identification, analysis, evaluation and treatment within the Group. In total three (3) Risk and Control Self-Assessment ("RCSA") were conducted which covers all Divisions; Pharmaceuticals, Chemicals and Polymers.

To further enhance risk knowledge in the Group, three (3) personnel attended an external enterprise risk management programme that is well recognised internationally. They have completed the programme with outstanding results. With this, the Group now have additional number of risk talent.

### Risk Reporting

Quarterly reports to RMC highlight 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 2016 were in the following areas:

#### **1. 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 Owners provide quarterly status report on the mitigation implementation plans for each risks to GRMD and a summary is presented to RMC. Furthermore, continuous RCSA activities were conducted in all divisions. RCSA ensure risk principles are in key operational processes and provide reasonable assurance that all risks are identified and addressed.

Chemical facilities are inherently complex with various hazards. These risks are closely managed through the implementation of Safety, Health and Environment (“SHE”) programmes. In respect of this, upon the request from RMC, Chemicals Division presented a study on Environmental and Safety as well as pertinent risk issues and SHE initiatives undertaken in protecting all CCM Chemicals' businesses and sites from potential disaster.

#### **2. 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 to be tracked and reported as part of the risk management reporting process.

#### **3. Competition Risk**

The Group continues 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 Group Managing Director's operations review.

#### **4. 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.

### **Culture Building**

Risk management culture is continuously inculcated throughout the organisation through continuous monitoring and planned risk review sessions by GRMD. Quarterly meetings with all risk coordinators from each division and various group discussion were held to brainstorm on existing and potential risks. Risk management refresher trainings on the use of risk system or RiSmart, were carried out during the year. Feedback from risk owners on how to improve the system was also collected after the training. In total, GRMD conducted three (3) refresher training sessions to cover all Risk Owners in the Group.

As part of risk culture building, the heads of departments signed a risk assurance statement that all risks are identified, addressed and reviewed. The heads of departments provide this assurance every quarter and presented to RMC.

### **Emerging Risk Monitoring**

Assessment and monitoring of emerging risk were started in April 2016 as part of our commitment towards proactively strengthening controls in the changing business climate. Seventeen emerging risks were taken from Global Risk Report 2016. The report is based on the annual Global Risks Perception Survey, completed by almost 750 members of the World Economic Forum's global multi stakeholder community. News and reports of the selected risks were tracked weekly and mapped against the proximity to the Group and frequency of occurrence. This assessment highlighted the emerging risks that may have impact on the Group's businesses and operations to enable Management to proactively develop internal control necessary to manage these risks. From this assessment, Pharmaceuticals Division had identified the emerging risk of “Water Crisis” may have potential impact on the Division's plant operations. Controls were developed to mitigate the risk. This risk is now added into the risk register for continuous monitoring and updates.

With the emergence of digital age, the number of cyber-attack incident is surging worldwide. RMC recognised the need for the Group to be a cyber resilient organisation. In view of this, RMC requested for the Group IT department to present the control and mitigation activities in place and its vulnerability to cyber-attack. The presentation is schedule to be in February next year.

# REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The Board is pleased to issue the following report on the Nomination and Remuneration Committee and its activities during the financial year ended 31 December 2016.

## Composition of Nomination and Remuneration Committee

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

A total of seven (7) meetings were held during the year. The attendance record of each member during the financial year is as follows:

Name of Directors and Status	No. of Meetings Attended
<b>Khalid bin Sufat</b> Chairman, Senior Independent Non-Executive Director	7/7
<b>Dr. Leong Chik Weng</b> Member, Independent Non-Executive Director	7/7
<b>Datin Paduka Kartini binti Haji Abdul Manaf</b> Member, Non-Independent Non-Executive Director	6/7
<b>Dato' Hajah Normala binti Abdul Samad</b> Member, Non-Independent Non-Executive Chairman <i>Appointed w.e.f. 24 January 2017</i>	Not Applicable
<b>Datuk Nik Moustpha bin Haji Nik Hassan</b> Member, Independent Non-Executive Director <i>Appointed w.e.f. 15 February 2017</i>	Not Applicable

Details on the Terms of Reference of the Nomination and Remuneration Committee are available on the Company's website.

## Activities during the financial year

During the year, the Committee:

- (i) Reviewed the result of the 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;
- (ii) Recommended for Board approval on the appointment of new Directors within the CCM Group;
- (iii) Reviewed and recommended for Board approval on the composition and remuneration of the Board sub-committee of CCM Group;
- (iv) Reviewed and recommended for Board approval on Directors casual vacancy and retirement by rotation;
- (v) Ensured that all Directors received appropriate and continuous training programmes in order to keep abreast with developments in the relevant industry and with changes in the relevant statutory and regulatory requirements;
- (vi) Reviewed and made recommendation to the Board on the policy of allowing executives of the Company/Group to be appointed to board of other listed entities;



- (vii) Reviewed and recommended for Board approval on the Group's Policy on Promotion Increment Quantum;
- (viii) Reviewed and recommended for Board approval on the appointment, renewal of contracts of service or promotions and the remuneration package of Group Managing Director and Key Responsible Persons of the Group, where appropriate;
- (ix) Reviewed and recommended for Board approval on the proposed Group's Key Performance Indicators for 2017;
- (x) Reviewed and recommended for Board approval on the establishment of KPIs for the Group Managing Director;
- (xi) Reviewed and recommended for Board approval on the bonus and salary review of Group Managing Director and Key Responsible Persons of the Group;
- (xii) Reviewed and recommended for Board approval on the Performance Discretionary Bonus for the Group Managing Director for financial year 2015;
- (xiii) Reviewed and recommended for Board approval on the annual global salary review, bonus and incentive package for employees of the Group;
- (xiv) Reviewed and recommended for Board approval on the proposed reorganisation of the Group;
- (xv) Reviewed and recommended for Board approval on the employees severance package and implementation of the same for certain companies within the Group;
- (xvi) Reviewed the analysis on Benefits-in-kind for the Group;
- (xvii) Reviewed and recommended for Board approval on changes to the Group's Leave Policy; and
- (xviii) Considered other matters as referred to 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 2016.

## Composition of the Finance and Investment Committee and Meetings

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

A total of seven (7) 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
<b>Dr. Leong Chik Weng</b> Chairman, Independent Non-Executive Director	7/7
<b>Dato' Azmi bin Mohd Ali</b> Member, Non-Independent Non-Executive Director	7/7
<b>Dato' Seri Ir. Dr. Zaini bin Ujang</b> Member, Non-Independent Non-Executive Director	7/7
<b>Datin Paduka Kartini bin Haji Abdul Manaf</b> Member, Non-Independent Non-Executive Director	5/7

Details on the Terms of Reference of the Finance and Investment Committee are available on the Company's website.

## Activities during the financial 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 plan and direction;
- (iii) Expenditures and investment proposals in relation to new equipment, machine replacements and refurbishments, construction of related plant facilities as well as new projects undertaken within the Group;
- (iv) Funding requests by entities within the Group;
- (v) Investments, divestment and collaboration opportunities;
- (vi) Appointment of advisors and consultant; and
- (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 for at least one year upon commencement of the projects.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## RESPONSIBILITY

The Board is responsible for the review of the adequacy and effectiveness of the Group's system of risk management and internal controls, which includes financial, operational and compliance controls. It should be appreciated that, however effective a system is, it can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. It should be further noted that such a system is designed to manage and mitigate, rather than eliminate, the risks of failure to achieve its business objectives and strategies.

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 are responsible for good business practices and governance.

## RISK MANAGEMENT

The Board confirms that as an integral part of the system of internal control, there is an ongoing Group-wide risk management process for identifying, evaluating and managing the significant risks faced by the Group. Risk management is practised within the Group on an iterative basis. All new and major investments have to observe a process approval that includes an assessment of the associated risks. During the year under review, 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.

Risk owners across the business divisions of the Group define, highlight, report on and manage a variety of risks, including business and operational risks anticipated by them, and the process is subjected to regular review by the Board. The Group has a Group 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.

Management from all Business Divisions 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 Department which is dedicated to this role.

The Group Risk Management Department maintains regular communication and consultation with Management and also facilitates 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

## KEY ELEMENTS OF THE GROUP'S SYSTEM OF INTERNAL CONTROLS

The Board, through the Audit and Compliance Committee, had approved a Management Control Policy which dictates the responsibilities of the Audit and Compliance Committee, the Management and the Internal Audit function with regards to internal controls.

The Audit and Compliance Committee is responsible for monitoring, overseeing and evaluating the duties and responsibilities of Management, the internal and external auditors as those duties and responsibilities relate to the Group's processes for controlling its operations. The Audit and Compliance Committee is also responsible for determining that all major issues reported by the Group Internal Auditor, the external auditors and other outside advisors have been satisfactorily resolved. Finally, the Audit and Compliance Committee is responsible for reporting to the Board of Directors all important matters pertaining to the Group's controlling processes.

Management is charged with the responsibility of establishing an internal control framework with the objective of controlling the operations of the CCM Group of Companies (the "Group") in a manner which provides the Board of Directors with reasonable assurance that the control objectives will be achieved.

The internal audit function is charged with the responsibility for 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 Audit and Compliance Committee of the Board of Directors on the adequacy and effectiveness of the Group's systems of internal control, together with ideas, counsel and recommendations to improve the systems.

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. There is also an Integrity Committee, which is chaired by a member of the Board, who reports to the Audit and Compliance Committee.

### Assignment of Authority and Responsibility

Clearly defined lines of authority within a divisionalised organisation structure have been established to facilitate the supervision and monitoring of conduct and operations of individual business units and support services departments. 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 from the Board to the Board Committees and to members of Management and the authorisation levels of various aspects of operations. These are regularly reviewed and updated to resolve operational effectiveness and challenges and to reflect changing risks. Additionally, the Group Management Committee also 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. The Group Management Committee is chaired by the Group Managing Director and members include the Group Senior Management.

## **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 policies and procedures in place to ensure adequacy of controls, and compliance with relevant law and regulations. These policies and procedures are periodically reviewed and updated to reflect changes in business structure and processes. In various instances, these documents form an integral part of the Integrated Management Systems (“IMS”). Chemical Company of Malaysia Berhad (“CCM Berhad”) IMS is ISO 9001, 14001 and OHSAS 18001 certified namely by Bureau Veritas. Certain companies within the Group have ISO 9001:2008 and MS 49:1994 accreditations for operational purposes. These certifications demonstrate our 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 its Pharmaceuticals Division, Chemicals Division, the regional entities (covering 3 countries) 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 the Group Chief Operating Officer cum Chief Financial Officer to the 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.

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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

## 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 & Entertainment, Competition Law, Securities & Insider Trading, Risk Management, Information Communication Technology, Intellectual Property, Sustainability, Quality and Halal policies.

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 whistleblower 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

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.



## **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.

## **Internal Audit**

The Group Internal Audit ("GIA") functions independently review, the adequacy and integrity of the system of internal controls in managing the key risks, and reports accordingly to the Audit and Compliance Committee of the Board on a quarterly basis. Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by GIA to assess the status of implementation thereof by Management. In carrying out its work, GIA focuses on areas of priority as directed and approved by the Audit and Compliance Committee of the Board.

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

## **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 assurance from both the Group Managing Director and 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 2016 up to the date of approval of this statement.

For the financial year 2016, 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 2016.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

## 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 Recommended Practice Guide ("RPG") 5 (Revised 2015), *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 2016, and reported to the Board that nothing has come to their attention that causes 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.

RPG 5 (Revised 2015) 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 27 February 2017.

## OTHER DISCLOSURES

### UTILISATION OF PROCEED FROM CORPORATE PROPOSALS (IF ANY)

The company does not have any proceeds from corporate proposals.

### 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 2016, the following amount have been paid or payable to the auditors of the Company and Group for work performed:

	Audit Work (RM'000)	Non-Audit Work (RM'000)
Company Level	85	35
Group Level	703	52

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

Save as disclosed below, there is no other material contract 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) On 25 May 2015, the Company had entered into a second supplementary letter to the Share Sale Agreement (“SSA”) 4 dated 27 November 2014 on the Disposal by CCM Investments Limited (“CCM Investments”) of the entire enlarged issued and fully paid-up share capital of CCM International (Philippines), Inc. (“CCMI (P)”) including 5 CCMI (P) shares held by five (5) directors of CCMI (P) for CCM Investments for a cash consideration of RM1,000. None of the Directors and major shareholders or persons connected to them has any interest, direct or indirect in the Proposed Disposals. The aforesaid transactions were completed on 30 June 2015.

### 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) P.T. CCM Indonesia, a subsidiary of CCM, had on 23 September 2014 submitted five (5) letters of appeal to the Indonesian Tax Court against the objection decisions of the Director-General of Tax, Indonesia on several tax adjustments/corrections made by the tax auditor totaling IDR36.1 billion (or equivalent to RM11.0 million) in aggregate. The appeals have been heard and are now pending decision by the Indonesian Tax Court.

### 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.

## OTHER DISCLOSURES (Cont'd)

### **RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE**

At an Annual General Meeting (“AGM”) held on 26 May 2016, the Company obtained the shareholders’ mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations and are in the ordinary course of business with related parties. The said general mandate took effect from 26 May 2016 until the conclusion of the forthcoming AGM of the Group. The disclosure of the recurrent related party transactions conducted during the financial period ended 31 December 2016 is set out on pages 204 to 205 of the Annual Report.

The Group intends to seek a renewal of the said general mandate and a proposed shareholders’ mandate to apply to new recurrent related party transactions of a revenue or trading nature with new related parties at the forthcoming AGM of the Group. The details of the new mandate to be sought are furnished in the Circular to Shareholders dated 28 April 2017.

# DIRECTORS' REPORT

for the year ended 31 December 2016

Amounts in RM'000 unless otherwise stated

The Directors of Chemical Company of Malaysia Berhad hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 24 May 2017.

## PRINCIPAL ACTIVITIES

Chemical Company of Malaysia Berhad is an investment holding and management company with subsidiaries engaged in the manufacturing and marketing of pharmaceuticals, chemicals and fertilizers products and services as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year other than as disclosed in Note 21.

## 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.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

## RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Loss for the year attributable to:		
Owners of the Company	(63,629)	(60,181)
Non-controlling interests	(20,209)	–
	<b>(83,838)</b>	<b>(60,181)</b>

## 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.

# DIRECTORS' REPORT (Cont'd)

for the year ended 31 December 2016

## DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company in respect of the financial year ended 31 December 2016 were as follows:

- (i) first interim ordinary dividend of 2.50 sen per ordinary share totalling RM11,365,797 declared on 5 May 2016 and paid on 3 June 2016; and
- (ii) second interim ordinary dividend of 2.50 sen per ordinary share totalling RM11,365,797 declared on 26 August 2016 and paid on 18 November 2016.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2016.

## DIRECTORS OF THE COMPANY

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

Dato' Hajah Normala binti Abdul Samad, Chairman (appointed on 25 March 2016)

Leonard Ariff bin Abdul Shatar, Group Managing Director

Dato' Azmi bin Mohd. Ali

Khalid bin Sufat

Dr. Leong Chik Weng

Datin Paduka Kartini binti Haji Abdul Manaf

Dato' Seri Ir. Dr. Zaini bin Ujang

Tan Sri Siti Sa'diah binti Sh. Bakir

Datuk Nik Moustpha bin Haji Nik Hassan (appointed on 9 September 2016)

## DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 31 December 2016 had any interest in the ordinary shares and options of the Company and of its related companies during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of 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 authorised, 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.

**TREASURY SHARES**

There were no changes in treasury shares during the financial year.

**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.

# DIRECTORS' REPORT (Cont'd)

for the year ended 31 December 2016

## OTHER STATUTORY INFORMATION (CONTINUED)

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

In the opinion of the Directors, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 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.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 33 to the financial statements.

## AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 22 to the financial statements.

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

**Dato' Hajah Normala binti Abdul Samad**  
Director

**Leonard Ariff bin Abdul Shatar**  
Director

Kuala Lumpur,  
Date: 24 March 2017

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2016	2015	2016	2015
<b>Assets</b>					
Property, plant and equipment	3	419,963	445,944	16,843	19,465
Investment properties	4	210,370	25,470	211,320	128,120
Intangible assets	5	296,555	292,832	63	63
Prepaid lease payments	6	–	–	–	–
Investments in subsidiaries	7	–	–	177,944	217,247
Investment in associate	8	14,927	16,217	–	–
Other investments	9	50,074	15,864	49,950	15,740
Deferred tax assets	10	9,053	7,626	–	–
Receivables	11	–	–	454,959	444,152
<b>Total non-current assets</b>		<b>1,000,942</b>	<b>803,953</b>	<b>911,079</b>	<b>824,787</b>
Inventories	12	173,092	199,251	–	–
Current tax assets		26,546	21,684	4,819	4,461
Trade and other receivables	11	195,415	227,918	61,208	152,211
Cash and cash equivalents	13	288,317	324,558	72,992	51,165
Assets classified as held for sale	14	683,370 1,000	773,411 159,542	139,019 –	207,837 13,600
<b>Total current assets</b>		<b>684,370</b>	<b>932,953</b>	<b>139,019</b>	<b>221,437</b>
<b>Total assets</b>		<b>1,685,312</b>	<b>1,736,906</b>	<b>1,050,098</b>	<b>1,046,224</b>
<b>Equity</b>					
Share capital		457,630	457,630	457,630	457,630
Reserves		183,529	28,951	68,391	34,181
Retained earnings		98,429	184,790	42,195	125,108
<b>Equity attributable to owners of the Company</b>	15	<b>739,588</b>	<b>671,371</b>	<b>568,216</b>	<b>616,919</b>
<b>Non-controlling interests</b>		<b>152,188</b>	<b>178,581</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>891,776</b>	<b>849,952</b>	<b>568,216</b>	<b>616,919</b>

# STATEMENTS OF FINANCIAL POSITION (Cont'd)

as at 31 December 2016

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2016	2015	2016	2015
<b>Liabilities</b>					
Loans and borrowings	16	<b>536,118</b>	454,379	<b>394,320</b>	300,570
Deferred tax liabilities	10	<b>29,609</b>	19,296	<b>15,509</b>	12,062
<b>Total non-current liabilities</b>		<b>565,727</b>	473,675	<b>409,829</b>	312,632
Loans and borrowings	16	<b>85,633</b>	178,717	<b>46,250</b>	100,000
Provision	17	<b>493</b>	964	–	–
Trade and other payables	18	<b>141,230</b>	147,379	<b>25,803</b>	16,673
Current tax liabilities		<b>453</b>	909	–	–
		<b>227,809</b>	327,969	<b>72,053</b>	116,673
Liabilities classified as held for sale	14	–	85,310	–	–
<b>Total current liabilities</b>		<b>227,809</b>	413,279	<b>72,053</b>	116,673
<b>Total liabilities</b>		<b>793,536</b>	886,954	<b>481,882</b>	429,305
<b>Total equity and liabilities</b>		<b>1,685,312</b>	1,736,906	<b>1,050,098</b>	1,046,224

The notes on pages 112 to 192 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2016	2015	2016	2015
<b>Continuing operations</b>					
Revenue	19	609,314	630,330	28,318	5,196
Cost of sales		(382,235)	(392,478)	(846)	(746)
<b>Gross profit</b>		<b>227,079</b>	237,852	<b>27,472</b>	4,450
Other income		4,297	13,076	105,907	59,468
Distribution expenses		(75,581)	(72,746)	–	–
Administrative expenses		(83,650)	(95,122)	(13,658)	(16,783)
Other expenses		(17,069)	(14,917)	(175,100)	(108,887)
<b>Results from operating activities</b>		<b>55,076</b>	68,143	<b>(55,379)</b>	(61,752)
Finance income		9,381	5,470	22,815	20,848
Finance costs		(32,623)	(21,582)	(22,554)	(17,797)
<b>Net finance (costs)/income</b>		<b>(23,242)</b>	(16,112)	<b>261</b>	3,051
Share of profit of equity-accounted associate, net of tax		1,770	948	–	–
<b>Profit/(Loss) before tax</b>		<b>33,604</b>	52,979	<b>(55,118)</b>	(58,701)
Tax expense	20	(14,569)	(24,372)	(5,063)	(234)
<b>Profit/(Loss) from continuing operations</b>		<b>19,035</b>	28,607	<b>(60,181)</b>	(58,935)
<b>Discontinued operation</b>					
Loss from discontinued operation, net of tax	21	(102,873)	(101,863)	–	–
<b>Loss for the year</b>	22	<b>(83,838)</b>	(73,256)	<b>(60,181)</b>	(58,935)
<b>Other comprehensive income, net of tax</b>					
<b>Item that are or may be reclassified subsequently to profit or loss</b>					
Fair value of available-for-sale financial assets		34,210	–	34,210	–
Foreign currency translation differences for foreign operations		8,256	6,645	–	–
		<b>42,466</b>	6,645	<b>34,210</b>	–

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

for the year ended 31 December 2016

Amounts in RM'000 unless otherwise stated

	Note	Group 2016	Group 2015	Company 2016	Company 2015
<b>Other comprehensive income, net of tax</b>					
<b>Item that will not be reclassified subsequently to profit or loss</b>					
Revaluation of properties upon transfer from property, plant and equipment to investment property		112,361	–	–	–
		112,361	–	–	–
<b>Other comprehensive income, for the year, net of tax</b>		154,827	6,645	34,210	–
<b>Total comprehensive income/(loss) for the year</b>		70,989	(66,611)	(25,971)	(58,935)
<b>Loss attributable to:</b>					
Owners of the Company		(63,629)	(62,476)	(60,181)	(58,935)
Non-controlling interests		(20,209)	(10,780)	–	–
<b>Loss for the year</b>		(83,838)	(73,256)	(60,181)	(58,935)
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		90,949	(56,169)	(25,971)	(58,935)
Non-controlling interests		(19,960)	(10,442)	–	–
<b>Total comprehensive income/(loss) for the year</b>		70,989	(66,611)	(25,971)	(58,935)
<b>Basic earnings/(loss) per ordinary share (sen):</b>					
	23				
from continuing operations		2.05	4.35		
from discontinued operations		(16.04)	(18.09)		
		(13.99)	(13.74)		
<b>Diluted earnings/(loss) per ordinary share (sen):</b>					
	23				
from continuing operations		2.05	4.35		
from discontinued operations		(16.04)	(18.09)		
		(13.99)	(13.74)		

The notes on pages 112 to 192 are an integral part of these financial statements.



# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2016

Amounts in RM'000 unless otherwise stated

Group	Note	Attributable to equity holders of the Company										Total equity	
		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
<b>At 1 January 2015</b>		457,630	39,944	73	(14,542)	23	-	2,982	(5,836)	269,998	750,272	130,326	880,598
Foreign currency translation differences for foreign operations		-	-	-	6,307	-	-	-	-	-	6,307	338	6,645
Total other comprehensive income for the year		-	-	-	6,307	-	-	-	-	-	6,307	338	6,645
Loss for the year		-	-	-	-	-	-	-	(62,476)	(62,476)	(10,780)	(73,256)	
Total comprehensive income/(loss) for the year		-	-	-	6,307	-	-	-	(62,476)	(56,169)	(10,442)	(66,611)	
Issue of new shares to non-controlling interests		-	-	-	-	-	-	-	-	-	67,055	67,055	
Dividends to owners of the Company	24	-	-	-	-	-	-	-	(22,732)	(22,732)	-	(22,732)	
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(8,358)	(8,358)	
<b>At 31 December 2015</b>		457,630	39,944	73	(8,235)	23	-	2,982	(5,836)	184,790	671,371	178,581	849,952

Note	Note	Note	Note	Note	Note	Note
15.1	15.7	15.2	15.3	15.4	15.5	15.6

# STATEMENTS OF CHANGES IN EQUITY (Cont'd)

for the year ended 31 December 2016

Amounts in RM'000 unless otherwise stated

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital redemption reserve	Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserve	Treasury shares	Retained earnings	Non-controlling interests	Total equity	
<b>Group</b>												
<b>At 1 January 2016</b>	457,630	39,944	73	(8,235)	23	-	2,982	(5,836)	184,790	671,371	178,581	849,952
Fair value of available-for-sale financial assets	-	-	-	-	34,210	-	-	-	-	34,210	-	34,210
Foreign currency translation differences for foreign operations	-	-	-	8,007	-	-	-	-	-	8,007	249	8,256
Revaluation of properties upon transfer from property, plant and equipment to investment property	-	-	-	-	-	112,361	-	-	-	112,361	-	112,361
<b>Total other comprehensive income for the year</b>	-	-	-	8,007	34,210	112,361	-	-	-	154,578	249	154,827
Loss for the year	-	-	-	-	-	-	-	(63,629)	(63,629)	(20,209)	(83,838)	(83,838)
<b>Total comprehensive income/(loss) for the year</b>	-	-	-	8,007	34,210	112,361	-	-	(63,629)	90,949	(19,960)	70,989
Dividends to owners of the Company	-	-	-	-	-	-	-	-	(22,732)	(22,732)	-	(22,732)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,433)	(6,433)
<b>At 31 December 2016</b>	457,630	39,944	73	(228)	34,233	112,361	2,982	(5,836)	98,429	739,588	152,188	891,776

Note 15.1

Note 15.7

Note 15.2

Note 15.3

Note 15.4

Note 15.5

Note 15.6

# STATEMENTS OF CHANGES IN EQUITY (Cont'd)

for the year ended 31 December 2016

Amounts in RM'000 unless otherwise stated

	Note	/----- Non-distributable -----/			/----- Distributable -----/		Total equity	
		Share capital	Share premium	Capital redemption reserve	Fair value reserve	Treasury shares		Retained earnings
<b>Company</b>								
<b>At 1 January 2015</b>		457,630	39,944	73	–	(5,836)	206,775	698,586
Total comprehensive loss for the year		–	–	–	–	–	(58,935)	(58,935)
Dividends to owners of the Company		–	–	–	–	–	(22,732)	(22,732)
<b>At 31 December 2015/1 January 2016</b>		<b>457,630</b>	<b>39,944</b>	<b>73</b>	<b>–</b>	<b>(5,836)</b>	<b>125,108</b>	<b>616,919</b>
Fair value of available-for-sale financial assets		–	–	–	34,210	–	–	34,210
Total other comprehensive income for the year		–	–	–	34,210	–	–	34,210
Loss for the year		–	–	–	–	–	(60,181)	(60,181)
Total comprehensive income/(loss) for the year		–	–	–	34,210	–	(60,181)	(25,971)
Dividends to owners of the Company	24	–	–	–	–	–	(22,732)	(22,732)
<b>At 31 December 2016</b>		<b>457,630</b>	<b>39,944</b>	<b>73</b>	<b>34,210</b>	<b>(5,836)</b>	<b>42,195</b>	<b>568,216</b>
		Note 15.1	Note 15.7	Note 15.2	Note 15.4	Note 15.6		

The notes on pages 112 to 192 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2016	2015	2016	2015
<b>Cash flows from operating activities</b>					
(Loss)/Profit before tax:					
- continuing operations		<b>33,604</b>	52,979	<b>(55,118)</b>	(58,701)
- discontinued operations		<b>(98,741)</b>	(96,054)	-	-
		<b>(65,137)</b>	(43,075)	<b>(55,118)</b>	(58,701)
<i>Adjustments for:</i>					
Amortisation of prepaid lease payments	6	-	387	-	-
Write back of amount due to subsidiaries		-	-	-	(4,924)
Change in fair value of investment properties	4	-	(5,755)	<b>(83,200)</b>	(28,115)
Depreciation of property, plant and equipment	3	<b>50,191</b>	54,110	<b>3,515</b>	3,624
Dividend income from:					
- Subsidiaries		-	-	<b>(23,757)</b>	-
- Other investment – quoted shares in Malaysia		<b>(3)</b>	-	-	-
Net (gain)/loss on disposal of:					
- Assets held for sale		-	-	<b>(20,350)</b>	-
- Property, plant and equipment		<b>(118)</b>	699	-	(171)
- Investments in subsidiaries		-	-	<b>92,398</b>	(26,046)
Finance costs		<b>34,518</b>	30,108	<b>22,554</b>	17,797
Finance income		<b>(9,664)</b>	(5,930)	<b>(22,815)</b>	(20,848)
Impairment loss on:					
- Trade receivables		<b>11,956</b>	4,156	-	-
- Other receivables		<b>4,779</b>	-	-	-
- Amount due from subsidiaries		-	-	<b>34,762</b>	65,065
- Investments in subsidiaries		-	-	<b>42,435</b>	38,853
- Property, plant and equipment	3	<b>4,606</b>	37,604	-	-
<b>Operating profit/(loss) before changes in working capital (carried forward)</b>		<b>31,128</b>	72,304	<b>(9,576)</b>	(13,466)

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2016	2015	2016	2015
<b>Operating profit/(loss) before changes in working capital (brought forward)</b>		<b>31,128</b>	72,304	<b>(9,576)</b>	(13,466)
Reversal of:					
- Impairment loss on trade receivables		<b>(3,908)</b>	(308)	-	-
- Provision for warranty		<b>(471)</b>	-	-	-
- Provision for obsolete stocks		<b>(1,050)</b>	(2,116)	-	-
Share of profit of equity accounted associate, net of tax		<b>(1,770)</b>	(948)	-	-
Provision for warranty		-	206	-	-
Inventories written off		<b>16,005</b>	2,776	-	-
Write-down of inventories		<b>21,456</b>	12,626	-	-
Property, plant and equipment written off		<b>1,324</b>	206	-	10
Unrealised foreign exchange loss		<b>8,127</b>	294	<b>522</b>	760
Unrealised foreign exchange gain		<b>(6,239)</b>	(7,162)	-	-
<b>Operating profit/(loss) before changes in working capital</b>		<b>64,602</b>	77,878	<b>(9,054)</b>	(12,696)
Change in inventories		<b>30,386</b>	(33,951)	-	-
Change in trade and other payables		<b>7,627</b>	18,910	<b>9,130</b>	5,139
Change in trade and other receivables		<b>3,466</b>	5,674	<b>(61,831)</b>	(112,412)
Cash from/(used in) operations		<b>106,081</b>	68,511	<b>(61,755)</b>	(119,969)
Interest paid		<b>(34,518)</b>	(30,108)	<b>(22,554)</b>	(17,797)
Interest received		<b>9,664</b>	5,930	<b>22,815</b>	20,848
Income taxes paid		<b>(18,000)</b>	(30,107)	<b>(2,125)</b>	(1,759)
Income taxes refunded		<b>1,076</b>	-	<b>151</b>	-
<b>Net cash from/(used in) operating activities</b>		<b>64,303</b>	14,226	<b>(63,468)</b>	(118,677)

# STATEMENTS OF CASH FLOWS (Cont'd)

for the year ended 31 December 2016

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2016	2015	2016	2015
<b>Cash flows from investing activities</b>					
Acquisition of:					
- Property, plant and equipment	3	(102,674)	(45,516)	(893)	(466)
- Intangible asset		(230)	(1,611)	-	-
- Investment properties		-	(75)	-	(75)
Dividends received from:					
- Associate		3,060	-	-	-
- Subsidiaries		-	-	23,757	-
- Other investment - quoted shares in Malaysia		3	-	-	-
Increase in investment in subsidiaries		-	-	(3,132)	-
Change in pledged deposits		15,000	(15,000)	-	-
Proceeds from disposal of:					
- Property, plant and equipment		1,219	331	-	331
- Investments in subsidiaries		-	-	14,345	130,907
- Intangible assets		-	1,600	-	-
- Assets held for sale:					
- Proceeds from disposal		-	-	35,000	-
- Tax paid on disposal		-	-	(1,050)	-
Disposal of discontinued operation:					
- Proceeds from disposal, net of cash and cash equivalents disposed of		98,953	-	-	-
- Tax paid on disposal		(1,050)	-	-	-
<b>Net cash from/(used in) investing activities</b>		<b>14,281</b>	<b>(60,271)</b>	<b>68,027</b>	<b>130,697</b>
<b>Cash flows from financing activities</b>					
Dividends paid to:					
- Owners of the Company	24	(22,732)	(22,732)	(22,732)	(22,732)
- Non-controlling interests		(6,433)	(8,358)	-	-
Proceeds from new shares issued to non-controlling interests		-	67,055	-	-
Loans and borrowings:					
- Proceeds		150,000	595,693	140,000	300,570
- Repayment		(232,075)	(489,117)	(100,000)	(320,000)
<b>Net cash (used in)/from financing activities</b>		<b>(111,240)</b>	<b>142,541</b>	<b>17,268</b>	<b>(42,162)</b>

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2016	2015	2016	2015
<b>Exchange differences on translation of the financial statements of foreign operations</b>		<b>8,256</b>	8,009	–	–
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(24,400)</b>	104,505	<b>21,827</b>	(30,142)
<b>Cash and cash equivalents at 1 January</b>	(i)	<b>312,717</b>	208,212	<b>51,165</b>	81,307
<b>Cash and cash equivalents at 31 December</b>	(i)	<b>288,317</b>	312,717	<b>72,992</b>	51,165

#### 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		Company	
		2016	2015	2016	2015
Cash and bank balances		<b>127,884</b>	95,929	<b>11,172</b>	3,000
Deposits placed with financial institutions		<b>64,568</b>	117,629	<b>47,364</b>	33,165
Highly liquid investments with financial institutions		<b>95,865</b>	111,000	<b>14,456</b>	15,000
	13	<b>288,317</b>	324,558	<b>72,992</b>	51,165
Cash and cash equivalents under assets classified as held for sale	14	–	3,159	–	–
		<b>288,317</b>	327,717	<b>72,992</b>	51,165
Less: Deposits pledged		–	(15,000)	–	–
		<b>288,317</b>	312,717	<b>72,992</b>	51,165

The notes on pages 112 to 192 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 2016 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 2016 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 pharmaceuticals, chemicals and fertilizers and services as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

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 24 March 2017.

## 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, 1965 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 2017***

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*

#### ***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 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2 and Amendments to MFRS 4 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

The initial application of the applicable accounting standards, amendments or 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:

#### (i) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

#### (ii) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

#### (iii) 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*.

The Group is currently 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.

### (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.

## 1. BASIS OF PREPARATION (CONTINUED)

### (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 estimate is 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 as disclosed in the following notes:

- Note 3 - valuation of property, plant and equipment
- Note 4 - valuation of investment properties
- Note 5 - measurement of the recoverable amounts of cash-generating units
- Note 7 - investments in subsidiaries
- Note 10 - deferred tax assets/liabilities
- Note 11 - valuation of trade receivables
- Note 12 - inventories
- Note 17 - provision for warranties

## 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.

### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (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) Acquisitions from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

#### (v) 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 an available-for-sale financial asset depending on the level of influence retained.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (vi) 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. 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 re-measured. 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. The cost of the investment includes transaction costs.

#### (vii) 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (viii) 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 are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency (continued)

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

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.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("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 or joint venture 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

#### (i) Initial recognition and measurement

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

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

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

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

The Group and the Company categorise financial instruments as follows:

##### **Financial assets**

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

##### Financial assets (continued)

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

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

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

#### (b) *Loans and receivables*

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

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

#### (c) *Available-for-sale financial assets*

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

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

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

##### Financial liabilities

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

##### Financial liabilities (continued)

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

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

#### (iii) Financial guarantee contracts

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

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

#### (iv) 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 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 and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in 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. 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.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment (continued)

#### (i) Recognition and measurement (continued)

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.

#### (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. Leasehold 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
• Freehold building	50 years
• Long and short term leasehold building	10 years to 50 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between 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.

#### (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 and 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, which forms part of the carrying amount of the equity-accounted associates.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Intangible assets (continued)

#### (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.

#### (iv) Other intangible assets

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

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

#### (v) Subsequent expenditure

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

#### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 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.

### (h) Inventories

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

The cost of inventories is measured based on 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.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 cost 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 and pledged deposits.

### (k) Impairment

#### (i) Financial assets

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Impairment (continued)

#### (i) Financial assets (continued)

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the 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 is not reversed through profit or loss.

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

#### (ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For 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 the 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 cash-generating units that are expected to benefit from the synergies of the combination.

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Impairment (continued)

#### (ii) Other assets (continued)

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 amount of the other assets in the cash-generating unit (group 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 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.

Where 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.

## 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 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### (ii) Services

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

#### (iii) 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.

#### (iv) 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.

#### (v) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Borrowing costs (continued)

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

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

### (q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Income tax (continued)

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) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

### (s) Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, 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.

### (t) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) 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.

### (v) 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 (Cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Asset under construction	Total
<b>Group</b>									
<b>Cost</b>									
At 1 January 2015		120,813	26,792	74,930	149,036	19,903	738,870	708	1,131,052
Additions		–	–	243	17	20	33,552	11,684	45,516
Transfer from investment properties		–	11,500	–	–	–	–	–	11,500
Transfer to intangible assets		–	–	–	–	–	–	(2,730)	(2,730)
Transfer to assets held for sale		(20,333)	–	–	(63,184)	(19,923)	(88,009)	(1,132)	(192,581)
Disposals		–	–	–	(365)	–	(5,935)	–	(6,300)
Write-off		–	–	–	–	–	(511)	–	(511)
At 31 December 2015/ 1 January 2016		<b>100,480</b>	<b>38,292</b>	<b>75,173</b>	<b>85,504</b>	<b>–</b>	<b>677,967</b>	<b>8,530</b>	<b>985,946</b>
Additions		–	–	<b>99</b>	–	–	<b>80,647</b>	<b>21,613</b>	<b>102,359</b>
Transfer to investment properties:	4								
- Offset of accumulated depreciation and impairment loss		(10,699)	–	–	(5,850)	–	–	–	(16,549)
- Revaluation of property transferred		118,275	–	–	–	–	–	–	118,275
- Transfer of carrying amount		(179,000)	–	–	(6,900)	–	–	–	(185,900)
Transfer to intangible assets	5	–	–	–	–	–	–	(3,493)	(3,493)
Disposals		–	–	–	–	–	(10,680)	–	(10,680)
Write-off		–	–	–	–	–	(7,376)	–	(7,376)
At 31 December 2016		<b>29,056</b>	<b>38,292</b>	<b>75,272</b>	<b>72,754</b>	<b>–</b>	<b>740,558</b>	<b>26,650</b>	<b>982,582</b>

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Asset under construction	Total
<b>Group</b>									
<b>Depreciation and impairment loss</b>									
At 1 January 2015									
Accumulated depreciation		12,093	–	8,865	23,107	7,369	514,814	–	566,248
Accumulated impairment loss		–	–	–	–	11,629	12,457	–	24,086
Depreciation for the year		12,093	–	8,865	23,107	18,998	527,271	–	590,334
Impairment loss	3.1	307	–	3,219	4,810	281	45,493	–	54,110
Transfer to assets held for sale		–	–	–	22,473	–	15,131	–	37,604
Disposals		(2,388)	–	–	(39,906)	(19,279)	(74,898)	–	(136,471)
Write-off		–	–	–	(35)	–	(5,235)	–	(5,270)
Write-off		–	–	–	–	–	(305)	–	(305)
At 31 December 2015/ 1 January 2016									
Accumulated depreciation		10,012	–	12,084	10,449	–	507,457	–	540,002
Accumulated impairment loss		–	–	–	–	–	–	–	–
Depreciation for the year		10,012	–	12,084	10,449	–	507,457	–	540,002
Disposals		2,352	–	3,696	3,136	–	41,007	–	50,191
Impairment loss		–	–	–	–	–	(9,579)	–	(9,579)
Offset of accumulated depreciation and impairment loss on property transferred to investment properties		–	–	–	4,606	–	–	–	4,606
Write-off		(10,699)	–	–	(5,850)	–	–	–	(16,549)
Write-off		–	–	–	–	–	(6,052)	–	(6,052)
At 31 December 2016									
Accumulated depreciation		1,665	–	15,780	12,341	–	532,833	–	562,619
Accumulated impairment loss		–	–	–	–	–	–	–	–
		1,665	–	15,780	12,341	–	532,833	–	562,619
<b>Carrying amounts</b>									
At 1 January 2015									
		108,720	26,792	66,065	125,929	905	211,599	708	540,718
At 31 December 2015/ 1 January 2016									
		90,468	38,292	63,089	75,055	–	170,510	8,530	445,944
At 31 December 2016									
		27,391	38,292	59,492	60,413	–	207,725	26,650	419,963

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Equipment	Asset under construction	Total
<b>Company</b>			
<b>Cost</b>			
At 1 January 2015	37,811	–	37,811
Additions	466	–	466
Disposals	(216)	–	(216)
Write-off	(11)	–	(11)
At 31 December 2015/1 January 2016	<b>38,050</b>	–	<b>38,050</b>
Additions	<b>685</b>	<b>208</b>	<b>893</b>
At 31 December 2016	<b>38,735</b>	<b>208</b>	<b>38,943</b>
<b>Depreciation</b>			
At 1 January 2015	15,018	–	15,018
Depreciation for the year	3,624	–	3,624
Disposals	(56)	–	(56)
Write-off	(1)	–	(1)
At 31 December 2015/1 January 2016	<b>18,585</b>	–	<b>18,585</b>
Depreciation for the year	<b>3,515</b>	–	<b>3,515</b>
At 31 December 2016	<b>22,100</b>	–	<b>22,100</b>
<b>Carrying amounts</b>			
At 1 January 2015	22,793	–	22,793
At 31 December 2015/1 January 2016	<b>19,465</b>	–	<b>19,465</b>
At 31 December 2016	<b>16,635</b>	<b>208</b>	<b>16,843</b>

### **3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

#### **3.1 Impairment loss**

In last financial year, the cessation of the production of its manufacturing plants and continuous losses in Fertilizers segment caused the Group to assess the recoverable amount of the related leasehold buildings and plant, machinery and equipment. The Group tested the related assets for impairment and recognised an impairment loss of RM22,473,000 and RM15,131,000 with respect to leasehold buildings and plant, machinery and equipment.

#### **3.2 Leasehold land**

At 31 December 2016, the net carrying amount of the Group's leasehold land was RM27,391,000 (2015: RM90,468,000). Leasehold land of the Group has an unexpired lease period of 23 to 83 years.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 4. INVESTMENT PROPERTIES

	Note	Group		Company	
		2016	2015	2016	2015
At 1 January		<b>25,470</b>	31,140	<b>128,120</b>	113,530
Additions		–	75	–	75
Change in fair value recognised in profit or loss		–	5,755	<b>83,200</b>	28,115
Transfer from/(to) property, plant and equipment	3	<b>185,900</b>	(11,500)	–	–
Transfer to assets classified as held for sale	14	<b>(1,000)</b>	–	–	(13,600)
<b>At 31 December</b>		<b>210,370</b>	25,470	<b>211,320</b>	128,120
Included in the above are:					
At fair value Freehold land		<b>220</b>	220	<b>5,440</b>	5,440
Leasehold land with unexpired lease period of more than 50 years		<b>198,800</b>	20,800	<b>198,800</b>	112,500
Leasehold land with unexpired lease period of less than 50 years		<b>4,450</b>	4,450	–	–
Buildings		<b>6,900</b>	–	<b>7,080</b>	10,180
<b>At 31 December</b>		<b>210,370</b>	25,470	<b>211,320</b>	128,120

During the financial year, a leasehold land and building have been transferred from property, plant and equipment to investment properties (see Note 3), since the leasehold land and building was no longer used by the Group.

In last financial year:

- (i) a freehold land has been transferred from investment property to property, plant and equipment (see Note 3), since the freehold land will be used by one of the subsidiaries of the Company as warehouse for its plant.
- (ii) a leasehold land has been transferred from investment property to assets classified as held for sale (see Note 14), since the leasehold land will be part of a disposal group.

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

#### 4. INVESTMENT PROPERTIES (CONTINUED)

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

	Group		Company	
	2016	2015	2016	2015
Rental income	–	–	4,561	5,196
Direct operating expenses:				
- income generating investment properties	–	–	846	748
- non-income generating investment properties	769	47	–	–

##### 4.1 Fair value information

Fair value of investment properties are categorised as follows:

	Level 2	Level 3	Total
<b>2016</b>			
<b>Group</b>			
Freehold land	–	220	220
Buildings	–	6,900	6,900
Leasehold land with unexpired lease period of more than 50 years	–	198,800	198,800
Leasehold land with unexpired lease period of less than 50 years	–	4,450	4,450
	–	210,370	210,370
<b>Company</b>			
Freehold land	–	5,440	5,440
Buildings	–	7,080	7,080
Leasehold land with unexpired lease period of more than 50 years	–	198,800	198,800
	–	211,320	211,320

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 4. INVESTMENT PROPERTIES (CONTINUED)

### 4.1 Fair value information (continued)

	Level 2	Level 3	Total
<b>2015</b>			
<b>Group</b>			
Freehold land	–	220	220
Leasehold land with unexpired lease period of more than 50 years	–	20,800	20,800
Leasehold land with unexpired lease period of less than 50 years	–	4,450	4,450
	–	25,470	25,470
<b>Company</b>			
Freehold land	–	5,440	5,440
Buildings	–	10,180	10,180
Leasehold land with unexpired lease period of more than 50 years	–	112,500	112,500
	–	128,120	128,120

### Level 3 fair value

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

	Group		Company	
	2016	2015	2016	2015
At 1 January	25,470	31,140	128,120	113,530
Addition	–	75	–	75
Transfer from/(to) property, plant and equipment	185,900	(11,500)	–	–
Transfer to assets classified as held for sale	(1,000)	–	–	(13,600)
Change in fair value				
- other income - unrealised	–	5,755	83,200	28,115
At 31 December	210,370	25,470	211,320	128,120

#### 4. INVESTMENT PROPERTIES (CONTINUED)

##### 4.1 Fair value information (continued)

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/ (decrease) if recent transactions of similar properties at or near reporting period with similar land usage, land size and location were higher (lower).

##### Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties are determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the locations and category of properties being valued. The valuation company provides the fair value of the Group's investment properties 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 properties are currently freehold and leasehold land and buildings. The highest and best use of the property should be industrial lands located nearby the Group's investment property.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 5. INTANGIBLE ASSETS

	Goodwill	Marketing rights	Trade marks	Brands	Development cost	Total
<b>Group</b>						
<b>Cost</b>						
At 1 January 2015	306,745	15,787	63	4,000	3,063	329,658
Additions	–	696	–	–	915	1,611
Disposal	–	–	–	(1,600)	–	(1,600)
Transfer from property, plant and equipment	–	–	–	–	2,730	2,730
At 31 December 2015/ 1 January 2016	<b>306,745</b>	<b>16,483</b>	<b>63</b>	<b>2,400</b>	<b>6,708</b>	<b>332,399</b>
Additions	–	–	–	–	230	230
Transfer from property, plant and equipment	–	–	–	–	3,493	3,493
At 31 December 2016	<b>306,745</b>	<b>16,483</b>	<b>63</b>	<b>2,400</b>	<b>10,431</b>	<b>336,122</b>
<b>Accumulated impairment loss</b>						
At 1 January 2015/ 31 December 2015/ 1 January 2016/ 31 December 2016	<b>22,980</b>	<b>15,787</b>	–	<b>800</b>	–	<b>39,567</b>
<b>Carrying amounts</b>						
At 1 January 2015	283,765	–	63	3,200	3,063	290,091
At 31 December 2015/ 1 January 2016	<b>283,765</b>	<b>696</b>	<b>63</b>	<b>1,600</b>	<b>6,708</b>	<b>292,832</b>
At 31 December 2016	<b>283,765</b>	<b>696</b>	<b>63</b>	<b>1,600</b>	<b>10,431</b>	<b>296,555</b>
<b>Company</b>						<b>Trademark</b>
<b>Cost/Carrying amount</b>						
At 1 January 2015/ 31 December 2015/ 1 January 2016/ 31 December 2016						63

## 5. INTANGIBLE ASSETS (CONTINUED)

### 5.1 Material intangible assets

#### Goodwill

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

#### Marketing rights

- (i) The carrying amount of marketing rights amounting to RM Nil (2015: RM Nil) represents the sole and exclusive right to market and sell to the region of Asia, excluding Japan, Pneumococcal Vaccine developed by Synergy America, Inc., a company incorporated in the United States of America, in which the Group has interests. The products have yet to be fully commercialised at year end.

The Group has assessed the carrying amount of the marketing rights and full impairment loss of RM15,787,000 was recognised in the financial year ended 31 December 2013 as the Group anticipated that the marketing rights will not be recovered through future commercial activity.

- (ii) The carrying amount of marketing rights amounting to RM696,000 (2015: RM696,000) represents the sole and exclusive right to market and sell Insulin Glargine Pen developed by Biocon SA, a company incorporated in India. The products have yet to be fully commercialised at year end.

#### Brands

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

#### Development cost

The carrying amount of development costs represents costs incurred to jointly conduct clinical trials with its technology partner for the purpose of commercialisation of biosimilar products. The Group will hold the exclusive commercialisation rights for product marketing and distribution in Malaysia, Singapore and Brunei, as well as the exclusive and perpetual royalty-free license to use the technical information. The products have yet to be fully commercialised at year-end. The management made an assumption that the development costs will be recovered through future commercial activity when the products are fully commercialised in the future.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 5. INTANGIBLE ASSETS (CONTINUED)

### 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:

	2016	Group 2015
A subsidiary in pharmaceuticals division	<b>189,658</b>	189,658
Subsidiaries in polymers division	<b>94,107</b>	94,107
	<b>283,765</b>	283,765

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.

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

- (a) Cash flows were projected based on past experience, actual operating results and 3 years (2015: 3 years) budget. Cash flows for a further 2 years (2015: 2 years) period were extrapolated using a growth rate between 8 percent (2015: 8 percent) for the subsidiary of pharmaceuticals division and 10 percent growth rate (2015: 5 percent) for subsidiaries of polymers division. Management believes that these 5 years (2015: 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 3 years (2015: 3 years) budget and subsequently projected based on growth rate as stated in note (a) above.
- (c) A pre-tax discount rate of 7.76 percent (2015: 7.38 percent). The discount was estimated based on the respective subsidiaries' weighted average cost of capital ("WACC").

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

**6. PREPAID LEASE PAYMENTS**

	Note	Unexpired leasehold land with period less than 50 years	
		2016	2015
<b>Group</b>			
<b>Cost</b>			
At 1 January		–	8,849
Transfer to assets held for sale	14	–	(8,849)
At 31 December		–	–
<b>Amortisation</b>			
At 1 January		–	3,492
Amortisation for the year		–	387
Transfer to assets held for sale	14	–	(3,879)
At 31 December		–	–
<b>Carrying amounts</b>			
At 1 January		–	5,357
At 31 December		–	–

**7. INVESTMENTS IN SUBSIDIARIES**

	Company	
	2016	2015
At cost:		
Unquoted shares	265,167	262,035
Less: Accumulated impairment loss	(87,223)	(44,788)
	177,944	217,247

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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	
			2016 %	2015 %
CCM Agri-Max Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Fertilizers Sdn. Bhd. and its subsidiary:	Malaysia	Trading of wide range of fertilizers	50.1	50.1
Max Agriculture Sdn. Bhd.	Malaysia	Dormant	50.1	50.1
CCM Agriculture (Sabah) Sdn. Bhd.	Malaysia	Manufacturing and marketing of wide range of fertilizers	–	100.0
CCM Agriculture Sdn. Bhd.	Malaysia	Manufacturing and marketing of wide range of fertilizers	–	100.0
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	Dormant	100.0	100.0
CCM Polymers Sdn. Bhd. (formerly known as CCM Innovative Solutions 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

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2016 %	2015 %
CCM Chemicals Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacturing and marketing of chlor-alkali and coagulant products and marketing of industrial and specialty chemicals	80.0	80.0
CCM Watercare Sdn. Bhd.	Malaysia	Dormant	80.0	80.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	80.0	80.0
P.T. CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	80.0	80.0
Innovative Resins Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0
CCM Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Duopharma Biotech Berhad and its subsidiaries:	Malaysia	Investment holding	73.4	73.4
Duopharma (M) Sdn. Bhd.	Malaysia	Manufacturing, distribution, importing and exporting of pharmaceutical products and medicines	73.4	73.4
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	73.4	73.4
CCM Pharma Sdn. Bhd.	Malaysia	Property management and services	73.4	73.4
Innovax Sdn. Bhd.	Malaysia	Research and development of pharmaceutical products	73.4	73.4

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2016 %	2015 %
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing and sales of medicine and pharmaceutical products	73.4	73.4
CCM Biopharma Sdn. Bhd.	Malaysia	Dormant	73.4	73.4
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	73.4	73.4
Unique Pharmacy (Ipoh) Sdn. Bhd.	Malaysia	Dormant	73.4	73.4
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	73.4	73.4
Negeri Pharmacy Sdn. Bhd.	Malaysia	Dormant	73.4	73.4
CCM International (Philippines), Inc.*	Republic of Philippines	Distribution, importing and exporting of pharmaceuticals and chemicals product	73.4	73.4
CCM Pharmaceuticals (S) Pte. Ltd.*	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	73.4	73.4
CCM Investments Limited**	British Virgin Islands	Investment holding	100.0	100.0
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
P.T. CCM Agripharma*	Indonesia	Trading of fertilizers	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 International.

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

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.1 On 28 June 2016, the Company entered into Debt Conversion Agreements to convert amount owing by its subsidiaries, CCM Agriculture Sdn. Bhd. ("CCMAG") amounting to RM66,856,207 and CCM Agriculture (Sabah) Sdn. Bhd. ("CCMAGS") amounting to RM109,736,612 into investment in subsidiaries. Subsequently, the Company disposed its entire interest in CCMAG and CCMAGS for cash considerations of RM14,345,000 in line with the Group decision to exit fertilizers operating segment.

In 2015, the Group completed the following internal restructuring exercises:-

- (i) disposal of 8,000,000 ordinary shares of RM1.00 each in CCM Pharmaceuticals Sdn. Bhd., representing 100% of its issued and paid-up share capital, by Chemical Company of Malaysia Berhad ("CCMB") to CCM Duopharma Biotech Berhad ("CCMD") for a cash consideration of RM17,599,000, together with the settlement of advances due to CCMB amounting to RM10,256,000 based on 30 September 2014 balances;
- (ii) disposal of 3,300,000 ordinary shares of RM1.00 each in CCM Pharma Sdn. Bhd., representing 100% of its issued and paid-up share capital by CCMB to Duopharma (M) Sdn. Bhd. ("DMSB") for a cash consideration of RM34,942,000, together with the settlement of advances due to CCMB amounting to RM16,337,000 based on 30 September 2014 balances;
- (iii) disposal of the entire enlarged ordinary shares in CCM International (Philippines) Inc. ("CCMIP"), including 5 ordinary shares held on trust by five Directors of CCMIP for the benefit of CCM Investments Ltd. ("CCMIL"), a wholly-owned subsidiary of CCMB, representing 100% of its issued and paid-up share capital, by CCMIL, to CCMD for a cash consideration of RM1,000;
- (iv) disposal of 1,600,000 ordinary shares of Singapore Dollar 1.00 each in CCM Pharmaceuticals (S) Pte. Ltd., representing 100% of its issued and paid-up share capital, by CCM International Sdn. Bhd., a wholly-owned subsidiary of CCMB, to CCMD for a cash consideration of RM2,417,000, together with the settlement of advances due to CCMB amounting to RM27,000 based on 30 September 2014 balances;
- (v) disposal of 30,000,000 ordinary shares of RM1.00 each in UPHA Pharmaceutical Manufacturing (M) Sdn. Bhd., representing 100% of its issued and paid-up share capital, by CCMB to DMSB for a cash consideration of RM78,365,000, together with the settlement of advances due to CCMB amounting to RM84,779,000 based on 30 September 2014 balances; and
- (vi) disposal of 200,000 ordinary shares of RM1.00 each in Innovax Sdn. Bhd., representing 100% of its issued and paid-up share capital, by CCMB to CCMD for a cash consideration of RM1,000, together with the settlement of advances due to CCMB amounting RM399,000 based on 30 September 2014 balances.

The above transactions were completed on 27 May 2015.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### 7.2 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 subsidiary	CCM Duopharma Biotech Berhad and its subsidiaries	CCM Chemicals Sdn. Bhd. and its subsidiaries	Total
<b>2016</b>				
NCI percentage of ownership interest and voting interest	49.90%	26.63%	20.00%	
Carrying amount of NCI	1,774	121,356	29,058	152,188
(Loss)/Profit allocated to NCI	(29,933)	7,144	2,580	(20,209)

#### Summarised financial information before intra-group elimination

##### As at 31 December

Non-current assets	309	295,281	144,056
Current assets	37,816	366,182	120,969
Non-current liabilities	–	(103,791)	(51,111)
Current liabilities	(34,570)	(103,156)	(68,627)
Net assets	3,555	454,516	145,287

##### Year ended 31 December

Revenue	128,104	312,940	215,044
(Loss)/Profit for the year	(59,985)	26,826	12,900
Total comprehensive (loss)/income	(59,985)	27,115	13,757

Cash flows from operating activities	33,864	33,241	36,739
Cash flows from/(used in) investing activities	12	(30,449)	(60,798)
Cash flows used in financing activities	(26,161)	(31,777)	(15,969)
Net increase/(decrease) in cash and cash equivalents	7,715	(28,985)	(40,028)

Dividends paid to NCI	–	5,942	491
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## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

## 7.2 Non-controlling interests in subsidiaries (continued)

	<b>CCM Fertilizers Sdn. Bhd. and its subsidiary</b>	<b>CCM Duopharma Biotech Berhad and its subsidiaries</b>	<b>CCM Chemicals Sdn. Bhd. and its subsidiaries</b>	<b>Total</b>
<b>2015</b>				
NCI percentage of ownership interest and voting interest	49.90%	26.63%	20.00%	
Carrying amount of NCI	31,739	120,045	26,797	178,581
(Loss)/Profit allocated to NCI	(19,602)	9,691	(869)	(10,780)
<b>Summarised financial information before intra-group elimination</b>				
<b>As at 31 December</b>				
Non-current assets	511	279,104	98,149	
Current assets	153,992	354,342	158,796	
Non-current liabilities	–	(109,016)	(51,584)	
Current liabilities	(90,898)	(74,712)	(71,377)	
Net assets	63,605	449,718	133,984	
<b>Year ended 31 December</b>				
Revenue	290,988	269,794	209,225	
(Loss)/Profit for the year	(39,282)	36,391	(4,345)	
Total comprehensive (loss)/income	(39,282)	35,669	(1,694)	
Cash flows (used in)/from operating activities	(29,096)	(50,872)	23,213	
Cash flows (used in) investing activities	(420)	(147,286)	(7,006)	
Cash flows from financing activities	21,672	324,087	39,456	
Net (decrease)/increase in cash and cash equivalents	(7,844)	125,929	55,663	
Dividends paid to NCI	–	8,358	–	

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 8. INVESTMENT IN ASSOCIATE

	2016	Group 2015
At cost:		
Unquoted shares	1,408	1,408
Share of post acquisition reserves	21,113	19,343
Dividend received from associate	(7,594)	(4,534)
	<b>14,927</b>	<b>16,217</b>

Details of a material associate is as follows:

Name of associate	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest	
			2016 %	2015 %
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	Associate	36	36

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.

	2016	Group 2015
<b>Summarised financial information</b>		
Non-current assets	3,704	4,428
Current assets	40,136	41,805
Non-current liabilities	(373)	(373)
Current liabilities	(10,455)	(9,981)
Net assets	<b>33,012</b>	<b>35,879</b>
Total comprehensive income	<b>3,933</b>	<b>2,106</b>
<b>Included in the total comprehensive income is:</b>		
Revenue	36,426	36,632
<b>Reconciliation of net assets to carrying amount as at 31 December</b>		
Group's share of net assets	14,856	16,146
Consolidated adjustments	71	71
Carrying amount in the statement of financial position	<b>14,927</b>	<b>16,217</b>
<b>Group's share of results for the year ended 31 December</b>		
Group's share of total comprehensive income	<b>1,770</b>	<b>948</b>

## 9. OTHER INVESTMENTS

	Unquoted	Quoted in Malaysia	Quoted in other country	Total
<b>Group</b>				
<b>2016</b>				
<b>Non-current</b>				
Available-for-sale financial assets	–	124	49,950	50,074
Market value of quoted investments	–	124	49,950	50,074
<b>2015</b>				
<b>Non-current</b>				
Available-for-sale financial assets	15,740	124	–	15,864
Market value of quoted investments	–	124	–	124
<b>Company</b>				
<b>2016</b>				
<b>Non-current</b>				
Available-for-sale financial assets	–	–	49,950	49,950
Market value of quoted investments	–	–	49,950	49,950
<b>2015</b>				
<b>Non-current</b>				
Available-for-sale financial assets	15,740	–	–	15,740
	Note 9.1		Note 9.1	
<b>Note 9.1</b>				

In 2014, the Company acquired a 13.86% equity interest in PanGen Biotech Inc. (“PanGen”) for a total cash consideration of KRW 5 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 Company has an effective interest of 9.34% in PanGen.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 10. DEFERRED TAX (ASSETS)/LIABILITIES

### Recognised deferred tax (assets) and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
<b>Group</b>						
Property, plant and equipment	(27)	–	33,348	31,547	33,321	31,547
Investment properties	–	–	5,914	–	5,914	–
Provisions	(5,596)	(6,014)	–	–	(5,596)	(6,014)
Other temporary differences	(6,494)	(7,903)	4,428	5,307	(2,066)	(2,596)
Tax losses/tax incentives carry-forwards	(11,017)	(11,267)	–	–	(11,017)	(11,267)
Tax (assets)/liabilities	(23,134)	(25,184)	43,690	36,854	20,556	11,670
Set off of tax	14,081	17,558	(14,081)	(17,558)	–	–
Net tax (assets)/liabilities	(9,053)	(7,626)	29,609	19,296	20,556	11,670
<b>Company</b>						
Property, plant and equipment	–	–	3,877	4,539	3,877	4,539
Investment properties	–	–	12,322	8,182	12,322	8,182
Other temporary differences	(690)	(659)	–	–	(690)	(659)
Tax (assets)/liabilities	(690)	(659)	16,199	12,721	15,509	12,062
Set off of tax	690	659	(690)	(659)	–	–
Net tax (assets)/liabilities	–	–	15,509	12,062	15,509	12,062

**10. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)****Unrecognised deferred tax assets**

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

	Group 2016	2015
Tax losses carry-forwards	(114,065)	(65,711)
Other temporary differences	(14,303)	(7,728)
	<b>(128,368)</b>	<b>(73,439)</b>

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.

**Movement in temporary differences during the year**

	At 1.1.2015	Recognised in profit or loss (Note 20)	At 31.12.2015/ 1.1.2016	Recognised in profit or loss (Note 20)	Recognised in other comprehen -sive income	At 31.12.2016
<b>Group</b>						
Property, plant and equipment	23,614	7,933	31,547	1,774	–	33,321
Investment properties	–	–	–	–	5,914	5,914
Provisions	(2,168)	(3,846)	(6,014)	418	–	(5,596)
Other temporary differences	1,364	(3,960)	(2,596)	530	–	(2,066)
Tax losses/tax incentives carry-forwards	(15,084)	3,817	(11,267)	250	–	(11,017)
	7,726	3,944	11,670	2,972	5,914	20,556
<b>Company</b>						
Property, plant and equipment	5,650	(1,111)	4,539	(662)	–	3,877
Investment properties	6,653	1,529	8,182	4,140	–	12,322
Other temporary differences	(85)	(574)	(659)	(31)	–	(690)
	12,218	(156)	12,062	3,447	–	15,509

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 11. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2016	2015	2016	2015
<b>Non-current</b>					
<b>Non-trade</b>					
Amount due from subsidiaries	11.1	–	–	<b>454,959</b>	444,152
<b>Total non-current</b>		<b>–</b>	<b>–</b>	<b>454,959</b>	444,152
<b>Current</b>					
<b>Trade</b>					
Trade receivables	11.2	<b>157,799</b>	199,449	–	–
<b>Non-trade</b>					
Amount due from subsidiaries	11.3	–	–	<b>53,420</b>	151,262
Amount due from associate	11.3	<b>46</b>	57	<b>38</b>	41
Deposits		<b>9,818</b>	10,267	<b>305</b>	308
Other receivables		<b>11,921</b>	9,341	<b>7,445</b>	581
Prepayments		<b>15,831</b>	8,804	–	19
		<b>37,616</b>	28,469	<b>61,208</b>	152,211
<b>Total current</b>		<b>195,415</b>	227,918	<b>61,208</b>	152,211

**11.1** The amount due from subsidiaries relates to advances which are unsecured, subject to interest of 4.73% per annum (2015: 4.24% per annum) and are not repayable over the next 12 months. The Company recognised an impairment loss of RM34,762,000 (2015: RM65,065,000) with respect to its advances to subsidiaries during the year.

**11.2** Included in the trade receivables are amount due from a significant investor that has influence over a subsidiary of RM265,000 (2015: RM473,000).

**11.3** Included in non-trade amount due from subsidiaries are advances to subsidiaries of RM Nil (2015: RM14,738,000) which are unsecured, subject to interest of Nil per annum (2015: 4.24%).

The remaining amount due from subsidiaries and associate are unsecured, interest free and repayable on demand.

**12. INVENTORIES**

	Group	
	2016	2015
Raw materials	56,329	115,843
Work-in-progress	6,830	4,404
Finished goods	107,691	76,388
Spares and consumables	2,242	2,616
	<b>173,092</b>	199,251
Recognised in profit or loss:		
Inventories recognised as cost of sales	551,423	728,440
Write-down to net realisable value	21,456	12,626
Write-off of inventories	16,005	2,776
Reversal of provision for obsolete stocks	(1,050)	(2,116)

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

**13. CASH AND CASH EQUIVALENTS**

	Note	Group		Company	
		2016	2015	2016	2015
Cash and bank balances		127,884	95,929	11,172	3,000
Deposits placed with financial institutions	13.1	64,568	117,629	47,364	33,165
Highly liquid investments with financial institutions	13.2	95,865	111,000	14,456	15,000
		<b>288,317</b>	324,558	<b>72,992</b>	51,165

**13.1 Deposits placed with financial institutions**

Included in the Group's deposits placed with financial institutions is RM Nil (2015: RM15,000,000) pledged for bank overdraft facility granted to a subsidiary.

**13.2 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 and insignificant changes in value.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 14. DISPOSAL GROUP HELD FOR SALE

In 2015, the Group committed to a plan to scale down its Fertilizers operating segment. The decision is consistent with the Group's strategy to place greater focus on enhancing business profitability on its Pharmaceuticals and Chemicals segments and to exit business operations which have been consistently underperforming over the years. Part of the business operations under the Fertilizers operating segment is presented as a disposal group held for sale following the commitment of the Group's management to a plan to sell the disposal group. The sale of disposal group was completed during the financial year.

On 20 May 2016, a wholly owned subsidiary, P.T. CCM Agripharma completed the sale of three (3) parcels of land in Medan, Indonesia measuring in aggregate 75,339 square meters together with the building thereon to P.T. Feedmill Indonesia for a cash consideration of Indonesian Rupiah 121.8 billion, equivalent to RM37.2 million, on an "as is where is" basis. A gain of RM21.5 million was recognised from the disposal.

On 15 November 2016, the Company and its subsidiary, CCM Agri-Max Sdn. Bhd. completed the disposals of 100% equity interests in CCM Agriculture Sdn. Bhd. and CCM Agriculture (Sabah) Sdn. Bhd. and certain trademark under Cock's Head Brand, for a revised cash consideration of RM40.8 million; and two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the buildings thereon for cash consideration of RM35.0 million. A loss of RM24.5 million was recognised from the disposal.

During the financial year, an investment property is presented as asset held for sale following the commitment of the management during the year to a plan to sell the investment property. Efforts to sell the asset have commenced, and a sale is expected to be completed in the following year.

The assets and liabilities of the disposal group are as follows:

		2016	Group 2015
<b>Assets classified as held for sale</b>			
Property, plant and equipment	a	–	56,110
Prepaid lease payments	b	–	4,970
Inventories	c	–	66,868
Receivables	d	–	28,248
Current tax assets		–	187
Cash and cash equivalents		–	3,159
Investment property		<b>1,000</b>	–
		<b>1,000</b>	159,542
<b>Liabilities classified as held for sale</b>			
Payables and accruals		–	14,577
Borrowings		–	70,730
Current tax liabilities		–	3
		–	85,310

**14. DISPOSAL GROUP HELD FOR SALE (CONTINUED)**

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
<b>Assets classified as held for sale</b>		
Investment property	–	13,600

The carrying value of property, plant and equipment, prepaid lease payments and investment property are the same as its carrying value before it was being reclassified to current asset.

**Note a**

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

		<b>Group</b>	
		<b>2016</b>	<b>2015</b>
Cost	3	–	192,581
Accumulated depreciation and impairment loss	3	–	(136,471)
		–	56,110

**Note b**

Prepaid lease payments held for sale comprise the following:

		<b>Group</b>	
		<b>2016</b>	<b>2015</b>
Cost		–	8,849
Accumulated depreciation and impairment loss		–	(3,879)
		–	4,970

**Note c**

The inventories held for sale comprise raw materials, work-in-progress, finished goods and spares and consumables and were carried at cost.

**Note d**

Receivables were carried at cost less an impairment loss of RM6,512,000.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 15. CAPITAL AND RESERVES

### 15.1 Share capital

	Group and Company			
	2016 Amount	2016 Number of shares '000	2015 Amount	2015 Number of shares '000
Authorised:				
Ordinary shares of RM1 each	800,000	800,000	800,000	800,000
Issued and fully paid:				
Ordinary shares of RM1 each	457,630	457,630	457,630	457,630

### 15.2 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 the requirement of section 67A of the Companies Act, 1965.

### 15.3 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.

### 15.4 Fair value reserve

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

### 15.5 Revaluation reserve

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

### 15.6 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.

At 31 December 2016, the Group held 2,998,000 (2015: 2,998,000) of the Company's shares. There was no repurchase of issued share capital in the current financial year.

### 15.7 Share premium

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

## 16. LOANS AND BORROWINGS

	Note	Group		Company	
		2016	2015	2016	2015
<b>Non-current - unsecured</b>					
Term loan	16.1	<b>536,118</b>	454,379	394,320	300,570
		<b>536,118</b>	454,379	394,320	300,570
<b>Current - unsecured</b>					
Bankers' acceptances		<b>2,885</b>	34,770	–	–
Term loan	16.1	<b>16,250</b>	7,989	6,250	–
Revolving credit and trade facilities	16.2	<b>66,498</b>	35,958	40,000	–
Sukuk Musyarakah	16.3	–	100,000	–	100,000
		<b>85,633</b>	178,717	46,250	100,000

### 16.1 Unsecured term loan

- (i) The Company obtained a RM150.57 million, 3 years unsecured term loan at the rate of 4.70% per annum (2015: 4.70% per annum) which matures in April 2018.
- (ii) The Company obtained a RM150 million, 3 years unsecured term loan at the rate of 4.93% per annum (2015: 4.93% per annum) which matures in December 2018.

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

- (a) It is 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) The Company represents and warrants to and undertakes with the Bank that its payment obligations under the Security Documents constitute direct, unconditional and unsecured obligations and shall at all times rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.
- (c) The consolidated Total Indebtedness to Consolidated Net worth Ratio shall not be exceeding 1.5 times (Net worth consists of share capital, other reserves, non-controlling interest and retained earnings/losses).
- (d) The consolidated Net Worth shall not be less than RM750 million.
- (e) Interest coverage ratio of not less than 2 times.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 16. LOANS AND BORROWINGS (CONTINUED)

### 16.1 Unsecured term loan (continued)

- (iii) The Company obtained a RM100 million, 5 years unsecured term loan at a profit rate of approximately 4.90%, repayable through 16 quarterly instalments. The purpose of the said term loan is to refinance the Company's remaining borrowings of RM100.0 million Unrated Sukuk Musyarakah matured on 25 August 2016. On 16 August 2016, the Company drawn down the said term loan of RM100.0 million, and hence shall expire 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) Submission of audited financial statements within six months after financial year end closing.
  - (c) Payment of all rents, rates and taxes as appropriate on timely basis.
  - (d) Not to enter into any management contract or similar arrangement where business is managed by third parties.
  - (e) Gearing not to exceed 1.5 times. Gearing is defined as total financing/ borrowings from all financial institutions against total tangible shareholder funds.
  - (f) No additional bank financings/ borrowings without prior written permission from the Bank in which consent shall not be unreasonably withheld.
- (iv) CCM Duopharma Biotech Berhad ("CCMD"), a subsidiary of the Company, obtained a RM245 million term loan facility, divided into two tranches. CCMD has settled Tranche 1 of RM133 million on 23 July 2015. Tranche 2 of RM112 million is payable over 7 years and is subject to floating rate of approximately 4.50% per annum (2015: approximately 4.50% per annum).

The significant covenants for the unsecured term loan (iv) above are as follows:

- (a) It is a condition that CCM Marketing Sdn. Bhd. shall at all time, directly or indirectly, owns its majority shareholding in the CCMD's issued and paid up share capital, and;
  - (b) Gearing ratio at the CCMD shall not exceed 1.5 times throughout the tenure of the facility.
- (v) 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 (2015: approximately 4.86% per annum) which matures in October 2020.

The significant covenants for the unsecured term loan (v) above are as follows:

- (a) CCMC shall maintain a minimum Consolidated Net Worth of RM80 million during the tenure of the facility.
- (b) CCMC's 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.

## 16. LOANS AND BORROWINGS (CONTINUED)

### 16.2 Unsecured revolving credit and trade facilities

The subsidiaries of the Company 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) Letter of Comfort from CCM Duopharma Biotech Berhad with regards to Duopharma (M) Sdn. Bhd.
- (iii) The borrower shall maintain a Gearing Ratio of not more than 1.5 times.
- (iv) The borrower shall maintain Debt Service Coverage Ratio at least 2.0 times Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

### 16.3 Unsecured Sukuk Musyarakah

On 8 August 2011, the Company issued RM120,000,000 nominal amount of 5 year fixed rate Unsecured and Unrated Sukuk Musyarakah ("USM") at 4.35% per annum. Some of the significant covenants of the USM are:-

#### Financial Covenants

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

- (i) the Finance to Equity Ratio of not more than 1.5 times
- (ii) the Profit/Interest Cover Ratio of at least 2 times

#### Negative Covenants

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

- (i) create or permit to subsist any Security Interest over any of its present or future assets, other than those permitted by the financing document and Trust Deed.
- (ii) reduce its authorised and/or issued shares capital and except for any decrease in its issued capital resulting from purchase or cancellation of its own shares pursuant to Section 67A of the Companies Act 1965.
- (iii) add, delete, vary or amend its Memorandum or Articles of Association in a manner inconsistent of the Financing Document other than those permitted by the Financing Document and Trust Deed.
- (iv) dispose any assets in excess of 25% of the Group's net assets (as reflected in the latest consolidated annual audited financial statements) in any financial year other than those permitted by the Financing Document and Trust Deed.
- (v) undertake or acquire any other business or subsidiaries where such undertaking or acquisition would have a material adverse effect.
- (vi) use the proceeds other than those permitted by the Financing Document and Trust Deed.

The above USM had been fully settled on their maturity in 2016.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 17. PROVISION

	2016	Group 2015
<b>Warranties</b>		
At 1 January	964	758
Provision made during the year	–	206
Provision reversed during the year	(471)	–
At 31 December	493	964

The provision for warranties relates to pharmaceutical products sold. The provision is based on estimates made from historical warranty data associated with similar products. The Group expects to incur the liability over the next 1 year (2015: 2 years).

## 18. TRADE AND OTHER PAYABLES

	Note	2016	Group 2015	2016	Company 2015
<b>Trade</b>					
Trade payables		75,151	74,308	10	–
<b>Non-trade</b>					
Accrued expenses		34,237	41,103	7,170	11,121
Amount due to subsidiaries	18.1	–	–	14,756	3,107
Other payables		31,842	31,968	3,867	2,445
		66,079	73,071	25,793	16,673
		141,230	147,379	25,803	16,673

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

## 19. REVENUE

	Continuing operations		Discontinued operation (see Note 21)		Total	
	2016	2015	2016	2015	2016	2015
<b>Group</b>						
Sales	608,879	629,537	145,924	367,509	754,803	997,046
Rental income from - property	435	793	–	–	435	793
	609,314	630,330	145,924	367,509	755,238	997,839
<b>Company</b>						
Rental income from - property	4,561	5,196	–	–	4,561	5,196
Dividends	23,757	–	–	–	23,757	–
	28,318	5,196	–	–	28,318	5,196

**20. TAX EXPENSE****Recognised in profit or loss**

	Group		Company	
	2016	2015	2016	2015
Tax expense on continuing operations	14,569	24,372	5,063	234
Tax expense on discontinued operation	66	5,809	–	–
Share of tax of equity accounted associate	400	521	–	–
<b>Total tax expense</b>	<b>15,035</b>	<b>30,702</b>	<b>5,063</b>	<b>234</b>

Major components of income tax expense include:

**Current tax expense**

Malaysian - current year	14,033	26,568	2,999	1,383
- prior year	(2,969)	(359)	(1,383)	(993)
Overseas - current year	599	1	–	–
- prior year	–	27	–	–
<b>Total current tax recognised in profit or loss</b>	<b>11,663</b>	<b>26,237</b>	<b>1,616</b>	<b>390</b>

**Deferred tax expense**

Origination and reversal of temporary differences	4,680	287	3,684	(198)
(Over)/Under provision in prior years	(1,708)	3,657	(237)	42
<b>Total deferred tax recognised in profit or loss (Note 10)</b>	<b>2,972</b>	<b>3,944</b>	<b>3,447</b>	<b>(156)</b>

	14,635	30,181	5,063	234
Share of tax of equity accounted associate	400	521	–	–
<b>Total tax expense</b>	<b>15,035</b>	<b>30,702</b>	<b>5,063</b>	<b>234</b>

**Reconciliation of effective tax rate**

	%	%	%	%
Loss before tax	(100)	(100)	(100)	(100)
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	(24)	(25)	(24)	(25)
Non-deductible expenses	41	58	91	39
Non-taxable income	(7)	(5)	(55)	(12)
(Over)/Under provision in prior years	(7)	8	(3)	(2)
Impairment of deferred tax assets in Fertilizers operating segment	–	39	–	–
Changes in unrecognised temporary differences	18	–	–	–
Others	–	(4)	–	–
	<b>21</b>	<b>71</b>	<b>9</b>	<b>–</b>



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 21. DISCONTINUED OPERATION

In 2015, the Group decided to scale down its business operations for Fertilizers operating segment following continuing losses incurred by this operating segment. The segment was presented as discontinued operation or held for sale.

Loss attributable to the discontinued operation was as follow:

### Results of discontinued operation

	Note	Group 2016	Group 2015
Revenue	19	145,924	367,509
Expenses		(244,665)	(463,563)
<b>Results from operating activities</b>		<b>(98,741)</b>	<b>(96,054)</b>
Tax expense	20	(66)	(5,809)
<b>Results from operating activities, net of tax</b>		<b>(98,807)</b>	<b>(101,863)</b>
Loss on sale of discontinued operation		(3,016)	–
Tax on disposal of discontinued operation		(1,050)	–
<b>Results from operating activities, net of tax</b>		<b>(102,873)</b>	<b>(101,863)</b>

### Included in results from operating activities are:

Depreciation of property, plant and equipment	4,803	12,385
Amortisation of prepaid lease payments	–	387

The loss from discontinued operation is attributable to:

	Group 2016	Group 2015
Owners of the Company	(72,940)	(82,261)
Non-controlling interests	(29,933)	(19,602)
<b>Loss for the year</b>	<b>(102,873)</b>	<b>(101,863)</b>

### Cash flows from/(used in) discontinued operation

Net cash from/(used in) operating activities	29,462	(55,209)
Net cash from/(used in) investing activities	98,965	(2,089)
Net cash (used in)/from financing activities	(28,370)	44,933
Effect on cash flows	100,057	(12,365)

**21. DISCONTINUED OPERATION (CONTINUED)****Effect of disposal on the financial position of the Group**

	<b>Group 2016</b>
Property, plant and equipment	56,425
Prepaid lease payments	4,970
Inventories	26,230
Trade and other receivables	42,570
Current tax assets	127
Cash and cash equivalents	4,634
Trade and other payables	(18,866)
<b>Net assets and liabilities</b>	<b>116,090</b>
Loss on sale of discontinued operation	(3,016)
	<b>113,074</b>
Payment made on behalf by the purchaser	(9,487)
	<b>103,587</b>
Consideration received, satisfied in cash	103,587
Cash and cash equivalents disposed of	(4,634)
<b>Net cash inflow</b>	<b>98,953</b>
<b>Loss on sale of disposal group held for sale</b>	
<b>Discontinued operation</b>	
-Attributable to loss on disposed interest	(3,016)

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 22. LOSS FOR THE YEAR

	Group		Company	
	2016	2015	2016	2015
<b>Loss for the year is arrived at after charging:</b>				
Amortisation of prepaid lease payments	–	387	–	–
Auditors' remuneration:				
- Statutory Audit				
KPMG	539	558	85	85
Other auditors	164	129	–	–
- Other services				
KPMG	52	112	35	52
Depreciation of property, plant and equipment	50,191	54,110	3,515	3,624
Impairment loss:				
- Property, plant and equipment	4,606	37,604	–	–
- Trade receivables	11,956	4,156	–	–
- Other receivables	4,779	–	–	–
- Amount due from subsidiaries	–	–	34,762	65,065
- Investment in subsidiaries	–	–	42,435	38,853
Interest expense:				
- Subsidiaries	–	–	15	20
- Bank overdraft	2	136	–	–
- Revolving credits	4,301	5,355	2,808	573
- Bankers' acceptances	1,845	2,352	–	–
- Unsecured term loan	23,692	15,481	16,583	12,561
- Others	4,678	6,784	3,148	4,643
Net loss on disposal of:				
- Property, plant and equipment	–	699	–	–
- Investment in subsidiary	–	–	92,398	–
Personnel expenses (including key management personnel)				
- Contribution to Employees Provident Fund	12,247	14,706	2,568	2,343
- Wages, salaries and others	100,456	116,090	14,601	16,786
Property, plant and equipment written off	1,324	206	–	10
Rental expenses in respect of:				
- Property leases	9,981	8,584	1,209	1,209
- Property	1,071	219	19	18
- Equipment	104	469	104	159
Research and development costs expensed as incurred	9,745	9,371	–	–

**22. LOSS FOR THE YEAR (CONTINUED)**

	Group		Company	
	2016	2015	2016	2015
<b>Loss for the year is arrived at after charging: (continued)</b>				
Realised foreign exchange loss	430	2,081	–	18
Write-down of inventories	21,456	12,626	–	–
Write-off of inventories	16,005	2,776	–	–
Unrealised foreign exchange loss	8,127	294	522	760
<b>and after crediting:</b>				
Change in fair value of investment properties	–	5,755	83,200	28,115
Interest income:				
- Subsidiaries	–	–	20,292	18,373
- Fixed deposits	5,301	5,106	881	2,436
- Others	4,363	824	1,642	39
Dividend income from other investment - quoted shares in Malaysia	3	–	–	–
Net gain on disposal of:				
- Asset held for sale	–	–	20,350	–
- Property, plant and equipment	118	–	–	171
- Investment in subsidiaries	–	–	–	26,046
Realised foreign exchange gain	1,945	3,225	23	–
Reversal of:				
- Impairment on trade receivables	3,908	308	–	–
- Provision of warranty	471	–	–	–
- Provision of obsolete stocks	1,050	–	–	–
Rental income from property	435	1,037	4,561	5,196
Unrealised foreign exchange gain	6,239	7,162	–	–
Write back of amount due to subsidiaries	–	–	–	4,924

**23. EARNINGS/(LOSS) PER ORDINARY SHARE****Basic earnings/(loss) per ordinary share**

The calculation of basic earnings/(loss) per ordinary share at 31 December 2016 was based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	2016			2015		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
Profit/(Loss) for the year attributable to ordinary shareholders	9,311	(72,940)	(63,629)	19,785	(82,261)	(62,476)

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 23. EARNINGS/(LOSS) PER ORDINARY SHARE (CONTINUED)

	Group	
	2016	2015
Weighted average number of ordinary shares at 31 December	454,632	454,632
	<b>2016</b>	<b>2015</b>
	<b>Sen</b>	<b>Sen</b>
From continuing operations	2.05	4.35
From discontinued operation	(16.04)	(18.09)
Basic loss per ordinary share	(13.99)	(13.74)

### 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 2016 and 31 December 2015.

## 24. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount	Date of payment
<b>2016</b>			
Interim 2016 ordinary	2.50	11,366	3 June 2016
Interim 2016 ordinary	2.50	11,366	18 November 2016
Total amount		<b>22,732</b>	
<b>2015</b>			
Interim 2014 ordinary	2.50	11,366	15 January 2015
Interim 2015 ordinary	2.50	11,366	1 October 2015
Total amount		<b>22,732</b>	

## 25. OPERATING SEGMENTS

### ***Business segments***

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group'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:

- Pharmaceuticals - Manufacturing and marketing of pharmaceutical and healthcare products.
- 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.
- Fertilizers - Trading of fertilizers.

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 2016 and 2015.

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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 25. OPERATING SEGMENTS (CONTINUED)

	Pharmaceuticals		Chemicals		Polymers		Fertilizers (discontinued)		Others		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Segment profit/ (loss)</b>	<b>26,826</b>	<b>36,391</b>	<b>13,087</b>	<b>(636)</b>	<b>13,605</b>	<b>19,188</b>	<b>(102,873)</b>	<b>(101,863)</b>	<b>(62,282)</b>	<b>(53,235)</b>	<b>27,799</b>	<b>26,899</b>	<b>(83,838)</b>	<b>(73,256)</b>
<i>Included in the measure of segment profit/ (loss) are:</i>														
Total external revenue	312,940	334,769	214,740	213,946	81,206	80,809	145,924	367,509	428	806	-	-	755,238	997,839
Inter-segment revenue	-	-	-	-	-	-	-	-	4,133	4,403	(4,133)	(4,403)	-	-
Write-down of inventories	(5,946)	(3,674)	(1,793)	-	-	-	(13,717)	(8,952)	-	-	-	-	(21,456)	(12,626)
Write-off of inventories	-	(2,776)	-	-	(316)	-	(15,689)	-	-	-	-	-	(16,005)	(2,776)
Impairment of property, plant and equipment	-	-	-	-	-	-	-	(37,604)	(4,606)	-	-	-	(4,606)	(37,604)
Depreciation and amortisation	(22,500)	(21,532)	(17,091)	(15,455)	(533)	(267)	(4,803)	(12,772)	(3,515)	(3,624)	(1,749)	(847)	(50,191)	(54,497)
Share of profit of associate	-	-	1,770	948	-	-	-	-	-	-	-	-	1,770	948
<i>Not included in the measure of segment profit but provided to Group Managing Director:</i>														
Finance costs	(5,550)	(7,350)	(4,099)	(3,996)	(120)	(118)	(1,895)	(8,526)	(41,549)	(30,768)	18,695	20,650	(34,518)	(30,108)
Finance income	4,234	5,494	1,599	1,043	1,090	781	283	460	22,831	20,852	(20,373)	(22,700)	9,664	5,930
Tax expense	(4,653)	(9,670)	(4,930)	(7,261)	(4,081)	(6,010)	(66)	(5,809)	(5,064)	(234)	4,159	(1,197)	(14,635)	(30,181)

## 25. OPERATING SEGMENTS (CONTINUED)

	Pharmaceuticals		Chemicals		Polymers		Fertilizers (discontinued)		Others		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	<b>Segment assets</b>	661,463	633,446	277,641	269,295	168,179	163,458	52,348	346,725	1,525,208	1,521,340	(999,527)	(1,197,358)	1,685,312
<i>Included in the measure of segment assets are:</i>														
Investment in associate	-	-	14,856	16,146	-	-	-	-	-	-	71	71	14,927	16,217
Additions to non-current assets other than financial instrument and deferred tax assets	34,953	34,084	64,946	10,562	1,785	-	315	2,089	905	467	-	-	102,904	47,202

**Geographical segments**

The Pharmaceuticals, Chemicals, Polymers and Fertilizers 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		Fertilizers (discontinued)		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	<b>Geographical segments</b>	586,861	587,396	-	7,724	14,534	26,002	7,919	9,208	145,924	367,509	755,238
External revenue	1,576,162	1,304,665	9,406	12,026	13,930	18,615	33,466	19,945	52,348	381,655	1,685,312	1,736,906



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 26. FINANCIAL INSTRUMENTS

### 26.1 Categories of financial instruments

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

- (a) Loans and receivables (“L&R”);
- (b) Available-for-sale financial assets (“AFS”); and
- (c) Financial liabilities measured at amortised cost (“FL”).

	Carrying amount	L&R/ (FL)	AFS
<b>2016</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	50,074	–	50,074
Trade and other receivables	179,584	179,584	–
Cash and cash equivalents	288,317	288,317	–
	<b>517,975</b>	<b>467,901</b>	<b>50,074</b>
<b>Company</b>			
Other investments	49,950	–	49,950
Trade and other receivables	516,167	516,167	–
Cash and cash equivalents	72,992	72,992	–
	<b>639,109</b>	<b>589,159</b>	<b>49,950</b>
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	(621,751)	(621,751)	–
Trade and other payables	(141,230)	(141,230)	–
	<b>(762,981)</b>	<b>(762,981)</b>	<b>–</b>
<b>Company</b>			
Loans and borrowings	(440,570)	(440,570)	–
Trade and other payables	(25,803)	(25,803)	–
	<b>(466,373)</b>	<b>(466,373)</b>	<b>–</b>

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

## 26.1 Categories of financial instruments (continued)

	Carrying amount	L&R/ (FL)	AFS
<b>2015</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	15,864	–	15,864
Trade and other receivables	219,114	219,114	–
Cash and cash equivalents	324,558	324,558	–
	559,536	543,672	15,864
<b>Company</b>			
Other investments	15,740	–	15,740
Trade and other receivables	596,344	596,344	–
Cash and cash equivalents	51,165	51,165	–
	663,249	647,509	15,740
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	(633,096)	(633,096)	–
Trade and other payables	(147,379)	(147,379)	–
	(780,475)	(780,475)	–
<b>Company</b>			
Loans and borrowings	(400,570)	(400,570)	–
Trade and other payables	(16,673)	(16,673)	–
	(417,243)	(417,243)	–

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016	2015	2016	2015
<b>Net gains/(losses) on:</b>				
Available-for-sale:				
- recognised in other comprehensive income	34,210	–	34,210	–
- recognised in profit or loss	3	–	–	–
Loans and receivables	(3,118)	10,094	(12,446)	(44,995)
Financial liabilities measured at amortised cost	(34,518)	(30,108)	(22,554)	(12,873)
	<b>(3,423)</b>	<b>(20,014)</b>	<b>(790)</b>	<b>(57,868)</b>

### 26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

### 26.4 Credit risk

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

#### (i) Receivables

##### ***Risk management objectives, policies and processes for managing the risk***

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

##### ***Exposure to credit risk, credit quality and collateral***

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

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

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.4 Credit risk (continued)

#### (i) Receivables (continued)

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

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

	Group	
	2016	2015
Malaysia	147,479	189,900
Indonesia	2,238	2,775
Others	8,082	6,774
	<b>157,799</b>	<b>199,449</b>

##### *Impairment losses*

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross	Individual impairment	Collective impairment	Net
<b>Group</b>				
<b>2016</b>				
Not past due	121,027	–	–	121,027
Past due 0-30 days	19,204	–	–	19,204
Past due 31-180 days	14,391	(6)	–	14,385
Past due more than 181 days	30,118	(23,680)	(3,255)	3,183
	<b>184,740</b>	<b>(23,686)</b>	<b>(3,255)</b>	<b>157,799</b>
<b>2015</b>				
Not past due	154,413	–	–	154,413
Past due 0-30 days	21,119	–	–	21,119
Past due 31-180 days	22,966	(990)	–	21,976
Past due more than 181 days	21,614	(10,026)	(9,647)	1,941
	<b>220,112</b>	<b>(11,016)</b>	<b>(9,647)</b>	<b>199,449</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.4 Credit risk (continued)

#### (i) Receivables (continued)

##### *Impairment losses (continued)*

The movements in the allowance for impairment losses of trade receivables during the year were:

	2016	Group 2015
At 1 January	20,663	21,676
Impairment loss recognised	11,956	4,156
Impairment loss reversed	(3,908)	(308)
Impairment loss written-off	(2,379)	(6,512)
Foreign exchange differences	609	1,651
At 31 December	26,941	20,663

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written-off against the receivable directly.

#### (ii) Investments and other financial assets

##### *Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

##### *Exposure to credit risk, credit quality and collateral*

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

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.4 Credit risk (continued)

#### (iii) Inter company balances

##### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

##### *Exposure to credit risk, credit quality and collateral*

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

##### *Impairment losses*

As at the end of the reporting period, the inter company balance that is assessed to be irrecoverable had been impaired and disclosed in Note 22. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

### 26.5 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 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 (Cont'd)

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.5 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 years	1 - 2 years	2 - 5 years	More than 5 years
<b>Group</b>							
<b>2016</b>							
<i>Non-derivative financial liabilities</i>							
Unsecured term loan	552,368	4.50% - 4.93%	613,968	27,801	412,577	147,219	26,371
Unsecured bankers' acceptances	2,885	4.40%	3,012	3,012	–	–	–
Unsecured revolving credit and trade facilities	66,498	4.05% - 4.46%	69,075	69,075	–	–	–
Trade and other payables	141,230	–	141,230	141,230	–	–	–
	<b>762,981</b>		<b>827,285</b>	<b>241,118</b>	<b>412,577</b>	<b>147,219</b>	<b>26,371</b>
<b>2015</b>							
<i>Non-derivative financial liabilities</i>							
Unsecured Sukuk Musyarakah	100,000	4.35%	104,350	104,350	–	–	–
Unsecured term loan	462,368	4.30% - 4.93%	538,990	25,159	354,505	103,710	55,616
Unsecured bankers' acceptances	34,770	3.91% - 4.30%	36,154	36,154	–	–	–
Unsecured revolving credit and trade facilities	35,958	4.30% - 7.73%	37,880	37,880	–	–	–
Trade and other payables	147,379	–	147,379	147,379	–	–	–
	<b>780,475</b>		<b>864,753</b>	<b>350,922</b>	<b>354,505</b>	<b>103,710</b>	<b>55,616</b>

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

## 26.5 Liquidity risk (continued)

*Maturity analysis (continued)*

	Carrying amount	Contractual interest rate %	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
<b>Company</b>						
<b>2016</b>						
<i>Non-derivative financial liabilities</i>						
Unsecured term loan	400,570	4.70% - 4.93%	438,317	11,150	374,842	52,325
Unsecured revolving credit and trade facilities	40,000	4.45% - 4.46%	41,782	41,782	–	–
Trade and other payables	25,803	–	25,803	25,803	–	–
	<b>466,373</b>		<b>505,902</b>	<b>78,735</b>	<b>374,842</b>	<b>52,325</b>
<b>2015</b>						
<i>Non-derivative financial liabilities</i>						
Unsecured Sukuk Musyarakah	100,000	4.35%	104,350	104,350	–	–
Unsecured term loan	300,570	4.70% - 4.93%	331,078	13,075	318,003	–
Trade and other payables	16,673	–	16,673	16,673	–	–
	<b>417,243</b>		<b>452,101</b>	<b>134,098</b>	<b>318,003</b>	<b>–</b>



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.6 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.

#### 26.6.1 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. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

#### *Risk management objectives, policies and processes for managing the risk*

The interest rate risk of the Group is managed by a combination of both long term and short term borrowings.

The excess fund placed with licensed banks and other financial institutions and corporations are for certain periods during which the interest rates are fixed. The management reviews the interest rates at regular intervals.

#### *Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2016	2015	2016	2015
<b>Fixed rate instruments</b>				
Financial assets	64,568	117,629	502,323	492,055
Financial liabilities	(369,953)	(471,298)	(340,570)	(400,570)
	<b>(305,385)</b>	<b>(353,669)</b>	<b>161,753</b>	<b>91,485</b>
<b>Floating rate instruments</b>				
Financial liabilities	(251,798)	(161,798)	(100,000)	–

#### *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.

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.6 Market risk (continued)

#### 26.6.1 Interest rate risk (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.

	2016		2015	
	Profit or (loss) 100 bp increase	Profit or (loss) 100 bp decrease	Profit or (loss) 100 bp increase	Profit or (loss) 100 bp decrease
<b>Group</b>				
Floating rate instruments	(1,914)	1,914	(1,213)	1,213
<b>Company</b>				
Floating rate instruments	(760)	760	–	–

#### 26.6.2 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 currencies giving rise to this risk are primarily U.S. Dollar (“USD”) and Indonesian Rupiah (“IDR”).

##### *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:

	Group Denominated in	
	USD	IDR
<b>2016</b>		
Trade receivables	3,765	–
Trade payables	(5,821)	–
Loans and borrowings	(6,498)	–
Net exposure in the statements of financial position	(8,554)	–
<b>2015</b>		
Trade receivables	10,068	1,258
Trade payables	(4,279)	–
Net exposure in the statements of financial position	5,789	1,258

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.6 Market risk (continued)

#### 26.6.2 Currency risk (continued)

##### *Currency risk sensitivity analysis*

A 10% (2015: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies 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 interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Profit/(Loss)	
	2016	2015
<b>Group</b>		
USD	650	(434)
IDR	–	(94)

A 10% (2015: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### 26.6.3 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 FTSE Bursa Malaysia KLCI ("FBMKLCI") and the Korean Securities Dealers Automated Quotations ("KOSDAQ").

A 10% (2015: 10%) strengthening against the above indices at the end of the reporting period would have increased equity by RM5,007,400 (2015: RM12,400) for investments classified as available-for-sale. A 10% weakening against the above indices would have had equal but opposite effect on equity.

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.7 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.

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to lack of comparable quoted prices in an active market and the fair value cannot be reliably measured. Accordingly, the Company's investment continued to be carried at cost.

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 carrying fair amount value
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	
<b>2016</b>							
<b>Group</b>							
<b>Financial assets</b>							
Quoted shares	50,074	-	-	50,074	-	-	50,074
<b>Financial liabilities</b>							
Unsecured term loan	-	-	-	-	-	(480,122)	(480,122)
	50,074	-	-	50,074	-	(480,122)	(486,048)
<b>2015</b>							
<b>Group</b>							
<b>Financial assets</b>							
Quoted shares	124	-	-	124	-	-	124
<b>Financial liabilities</b>							
Unsecured term loan	-	-	-	-	-	(434,214)	(434,214)
	124	-	-	124	-	(434,214)	(454,255)



## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.7 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. (2015: no transfer in either direction).

#### **Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair values of long term receivables and long term liabilities are determined using the discounted cash flows valuation technique.

## 27. 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.

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the debt-to-equity ratio of not more than 1:1. The debt-to-equity ratio at 31 December 2016 and 31 December 2015 were as follows:

	Note	2016	Group 2015
Total loans and borrowings	16	621,751	703,826
Total equity		891,776	849,952
Debt-to-equity ratios		0.70:1	0.83:1

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 27. CAPITAL MANAGEMENT (CONTINUED)

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

## 28. OPERATING LEASES

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2016	2015	2016	2015
Less than one year	1,306	1,558	1,306	1,209
Between one and five years	130	201	130	201
	<b>1,436</b>	<b>1,759</b>	<b>1,436</b>	<b>1,410</b>

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.

## 29. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2016	2015	2016	2015
<b>Capital expenditure commitments</b>				
<b>Plant and equipment</b>				
Authorised but not contracted for	325,189	269,074	7,190	3,708
Contracted but not provided for	8,308	35,099	8	206
	<b>333,497</b>	<b>304,173</b>	<b>7,198</b>	<b>3,914</b>

### 30. 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 31) are shown below. The balances related to the below transactions are shown in Notes 11 and 18.

	Transaction value year ended	
	2016	2015
<b>Group</b>		
Rental expense to holding company	(1,209)	(1,209)
Sales of products to significant investors that has influence over a subsidiary	–	559
<b>Company</b>		
Dividend income from subsidiaries	23,757	–
Rental expense to holding company	(1,209)	(1,209)
Rental income from subsidiaries	4,133	4,403
Shared cost charged to subsidiaries	16,259	15,385



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 31. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2016	2015	2016	2015
Directors:				
- Fees	972	838	698	620
- Remuneration	1,504	1,244	776	419
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	280	306	228	250
	<b>2,756</b>	<b>2,388</b>	<b>1,702</b>	<b>1,289</b>
Other key management personnel:				
- Remuneration	6,808	6,361	1,638	1,970
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	265	340	130	114
	<b>7,073</b>	<b>6,701</b>	<b>1,768</b>	<b>2,084</b>

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.

## 32. CONTINGENT LIABILITIES

As of 31 December 2016, P.T. CCM Indonesia ("PTCCMI"), a subsidiary of the Company was appealing against the Director General Tax, Indonesia's assessment with respect to year of assessment 2011. If the appeal was unsuccessful, an additional tax to be paid by PTCCMI arising from various tax adjustments/corrections would be IDR36,100,000,000 (equivalent to approximately RM11.0 million). The hearing of the appeals was concluded on 29 July 2015 and as at 31 December 2016, the matter is currently pending decision from the Indonesian Tax Court.

The Directors are of the opinion that provisions are not required in respect of this matter, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

**33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

- (i) On 20 May 2016, a wholly owned subsidiary, P.T. CCM Agripharma completed the sale of three (3) parcels of land in Medan, Indonesia measuring in aggregate 75,339 square meters together with the building thereon to P.T. Feedmill Indonesia for a cash consideration of Indonesian Rupiah 121.8 billion, equivalent to RM37.2 million, on an 'as is where is' basis. A gain of RM21.5 million was recognised from the disposal.
  
- (ii) On 15 November 2016, the Company and its subsidiary, CCM Agri-Max Sdn. Bhd., completed the disposals of 100% equity interests in CCM Agriculture Sdn. Bhd. and CCM Agriculture (Sabah) Sdn. Bhd. and certain trademark under Cock's Head Brand, for a revised cash consideration of RM40.8 million; and two parcels of mixed zone/town land in Kemena Land district, Bintulu, Sarawak together with the buildings thereon for cash consideration of RM35.0 million. A loss of RM24.5 million was recognised from the disposal.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 34. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	<b>255,901</b>	230,416	<b>(122,703)</b>	39,963
- unrealised	<b>24,405</b>	38,038	<b>164,898</b>	85,145
	<b>280,306</b>	268,454	<b>42,195</b>	125,108
Total share of retained earnings of associate				
- realised	<b>13,385</b>	14,533	-	-
- unrealised	<b>134</b>	276	-	-
	<b>293,825</b>	283,263	<b>42,195</b>	125,108
Less: Consolidation adjustments	<b>(195,396)</b>	(98,473)	-	-
Total retained earnings	<b>98,429</b>	184,790	<b>42,195</b>	125,108

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

# STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 101 to 191 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 34 on page 192 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

**Dato' Hajah Normala binti Abdul Samad**  
Director

**Leonard Ariff bin Abdul Shatar**  
Director

Kuala Lumpur,  
Date: 24 March 2017

# STATUTORY DECLARATION

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

I, **Nik Fazila binti Nik Mohamed Shihabuddin**, the officer primarily responsible for the financial management of Chemical Company of Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 101 to 192 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 Nik Fazila binti Nik Mohamed Shihabuddin, NRIC: 661204-03-5036 at Kuala Lumpur in the Federal Territory on 24 March 2017.

**Nik Fazila binti Nik Mohamed Shihabuddin**

Before me:

Commissioner for Oaths  
Kuala Lumpur

# INDEPENDENT AUDITOR'S REPORT

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

## 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 2016 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 101 to 191.

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 2016, 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, 1965 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.

**Key Audit Matters (continued)**

<b>Impairment of goodwill</b>	
Refer to Note 2(f) and Note 2(k) for significant accounting policies and Note 5 "Intangible Assets"	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
At 31 December 2016, the Group's consolidated statement of financial position includes goodwill amounting to RM283.8 million, contained within two cash generating units ("CGUs"). Impairment of goodwill is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statement of financial position and due to the judgement involved in the assessment of the 'value in use' of the Group CGUs performed by the Directors. The judgement relates to the future results of the CGUs and the discount rates applied to future forecasted cash flows.	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• We assessed the historical accuracy of cash flow forecast of the Group;</li> <li>• We performed sensitivity analysis in two main areas. These included the discount rates and gross profit margins on the CGUs; and</li> <li>• We assessed the adequacy of the disclosure of the assumptions and estimates made by the Directors.</li> </ul>
<b>Inventories provisions</b>	
Refer to Note 2(h) for significant accounting policies and Note 12 "Inventories"	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
One of the Group's operating segment is involved in manufacturing and selling pharmaceutical products which carry shelf life, increasing the level of judgement involved in estimating inventory provisions. Judgement is required to assess the appropriate level of provisioning for short-dated pharmaceutical products. Such judgments include Directors' expectations for future sales and inventory liquidation plans.	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We attended stock counts to identify whether any inventory was obsolete;</li> <li>• We critically assessed the basis for the inventory provisions, the consistency of provisioning in line with policy and the rationale for the recording of specific provisions;</li> <li>• We tested the accuracy of the ageing of inventories based on system generated reports; and</li> <li>• We tested the provision calculations and determined that they appropriately took into account the ageing profile of inventories.</li> </ul>

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.

# INDEPENDENT AUDITOR'S REPORT (Cont'd)

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

## **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 Directors' Report and Statement on Risk Management and Internal Control included in the annual report 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 auditors' 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 annual report and we do not and will 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 annual report and, in doing so, consider whether the annual report 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, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

## **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, 1965 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.

**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.



# INDEPENDENT AUDITOR'S REPORT (Cont'd)

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

## 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 7 to the financial statements.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## 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: 2013/06/18(J)  
Chartered Accountant

Petaling Jaya,  
Date: 24 March 2017

# ANALYSIS OF SHAREHOLDINGS

as at 31 March 2017

Total Number of Issued Shares	:	457,629,856
Class of Shares	:	Ordinary Shares
Number of Shareholders	:	5,080
Voting Rights	:	One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

as at 31 March 2017

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Shares
1 - 99	615	12.10	8,528	0.00
100 - 1,000	890	17.52	552,906	0.12
1,001 - 10,000	2,479	48.80	11,922,449	2.61
10,001 - 100,000	960	18.90	28,792,798	6.29
100,001 - 22,881,491(*)	134	2.64	71,627,312	15.65
22,881,492 and above(**)	2	0.04	344,725,863	75.33
	<b>5,080</b>	<b>100.0</b>	<b>457,629,856</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

as at 31 March 2017

Names	Direct Holdings		Indirect Holdings	
	No.	%	No.	%
1. Permodalan Nasional Berhad	321,504,263	70.25	-	-
2. Yayasan Pelaburan Bumiputra <sup>a</sup>	-	-	321,504,263	70.25
3. Lembaga Tabung Haji	23,221,600	5.07	-	-

<sup>a</sup> Deemed interest by virtue of its substantial interest in Permodalan Nasional Berhad pursuant to Section 8 of the Companies Act, 2016.

# ANALYSIS OF SHAREHOLDINGS (Cont'd)

as at 31 March 2017

**LIST OF THIRTY (30) LARGEST SHAREHOLDERS**

as at 31 March 2017

No.	Shareholders	Holdings	%
1	PERMODALAN NASIONAL BERHAD	321,504,263	70.25
2	LEMBAGA TABUNG HAJI	23,221,600	5.07
3	PUBLIC NOMINEES (ASING) SDN. BHD. - Pledged Securities Account for Billion Victory Sdn. Bhd. (KLC)	18,000,000	3.93
4	HSBC NOMINEES (ASING) SDN. BHD. - Exempt AN for Credit Suisse (SG BR-TST-Asing)	4,983,900	1.09
5	AMANAHRAYA TRUSTEES BERHAD - Affin Hwang Principled Growth Fund	3,500,000	0.76
6	CHEMICAL COMPANY OF MALAYSIA BERHAD - Share Buy Back Account	2,998,000	0.66
7	G.T.Y HOLDINGS SDN. BHD.	2,500,000	0.55
8	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. - Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng SM CF)	1,960,000	0.43
9	RHB NOMINEES (TEMPATAN) SDN. BHD. - OSK Technology Ventures Sdn. Bhd.	1,233,000	0.27
10	LEE KIAN LEONG	1,113,800	0.24
11	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD - Exempt AN for Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)	1,037,000	0.23
12	UOB KAY HIAN NOMINEES (ASING) SDN. BHD. - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	1,025,648	0.22
13	ACE CREDIT (M) SDN. BHD.	914,600	0.20
14	HLB NOMINEES (TEMPATAN) SDN. BHD. - Pledged Securities Account for Liew Sun Yick	885,000	0.19
15	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. - Maybank Kim Eng Securities Pte Ltd for Tan Soo Lee	877,200	0.19
16	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - CIMB Bank for Tan Yat Kiang (MY1469)	800,000	0.17

No.	Shareholders	Holdings	%
17	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. - Chua Eng Ho Wa'a @ Chua Eng Wah	755,000	0.16
18	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD - KAF Dana ADIB	673,000	0.15
19	HSBC NOMINEES (ASING) SDN. BHD. - Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore Bch)	667,700	0.15
20	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. - Affin Hwang Asset Management Berhad for Sun Life Malaysia Assurance Berhad	639,500	0.14
21	LEE HONG LOK CONNAUGHT	578,400	0.13
22	HONG LEONG ASSURANCE BERHAD - As Beneficial Owner (UnitLinked DP)	571,700	0.12
23	NAVANEETHA RAJAH A/L SELVADURAI	545,100	0.12
24	WONG KIN WAH	532,000	0.12
25	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. - Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund	531,400	0.12
26	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD - Pacific Premier Fund	525,000	0.11
27	GOH GEOK LOO	501,000	0.11
28	LEE KONG HIAN	489,596	0.11
29	AMANAHRAYA TRUSTEES BERHAD - Affin Hwang Aiiman Equity Fund	457,100	0.10
30	LEONG CHAO SEONG	431,000	0.09
		394,451,507	86.19

# LIST OF TOP TEN (10) PROPERTIES

as at 31 December 2016

Location	Tenure	Lease Period	Area (sq. metre)	Description	Existing Use	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation
Chemical Company of Malaysia Berhad Shah Alam Works Padang Jawa Selangor Darul Ehsan	Leasehold	99 years (1973 - 2072)	286,992	Industrial land, factory and offices	Plant and office	16-47 years	185.90	December 2016
UPHA Factory Lot PT 60906 Mukim of Kajang Selangor Darul Ehsan	Leasehold	99 years (1987 - 2086)	22,099	Industrial land, factory and office	Plant and office	25-67 years	55.82	November 2014
Duopharma (M) Sdn. Bhd. GM 1391/GM2239 Lot No. 2599 & 2600 Mukim and District of Klang Selangor Darul Ehsan	Freehold	–	23,270	Industrial land, factory, warehouse and offices	Plant and office	21 years	64.68	December 2015
Lot No. 3880 Mukim of Bukit Raja Klang (Meru magazine) Selangor Darul Ehsan	Freehold	–	20,284	Industrial land	Warehouse	30 years	5.22	December 2016
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	Office	21 years	13.00	December 2016

Location	Tenure	Lease Period	Area (sq. metre)	Description	Existing Use	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation
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	Vacant	–	19.80	December 2016
CCM Polymers 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 (1993 - 2098)	2,207	Industrial land, semi-detached factory	Plant and office	18 years	8.7	December 2016
CCM Chemicals Sdn. Bhd. Pasir Gudang Works Pasir Gudang Johor Darul Takzim	Leasehold	60 years (1991 - 2051)	104,408	Industrial land, factory and offices	Plant and office	24 years	21.23	December 2016
CCM Pharma No. 2, Jalan Saudagar U1/16 Seksyen U1 Hicom Glenmarie Industrial Park Shah Alam Selangor Darul Ehsan	Freehold	–	5,907	Industrial land, factory and offices	Office	19 years	26.00	December 2015
Duopharma (M) Sdn. Bhd. Vacant Industrial Land Lot No. 2707 Mukim and District of Klang Selangor Darul Ehsan	Freehold	–	21,838	Industrial land	construction in progress for plant and warehouse with rooftop car park	–	13.42	December 2015

## RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

As at the Annual General Meeting held on 27 May 2016, the Company had obtained the shareholders' mandate to allow the Company to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature.

In accordance with the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, details of the Recurrent Related Party Transactions audited during the financial year ended 31 December 2016, pursuant to the shareholders mandate are as follows:

Transactions	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
Sale of Chemicals	CCM Chemicals Shd. Bhd. ("CCMC")	CCM Polymers Shd. Bhd. ("CCM Polymers")	4,724	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Sale of Chemicals	CCMC	CCM Usaha Kimia Shd. Bhd. ("CCMUK")	27,369	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Sale of Chemicals	CCMUK	CCMC	1,623	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Sale of Chemicals	CCMC	CCM Singapore Pte. Ltd. ("CCMSPL")	749	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Sale of Chemicals	CCMSPL	CCMC	54	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Provision of Shared/ Management Services <sup>3</sup>	CCM	CCM Fertilizers Sdn. Bhd. ("CCMF")	(379)*	<i>Interested Major Shareholder: LTH<sup>1</sup> Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Provision of Shared/ Management Services <sup>3</sup>	CCM	CCMC	3,192	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Provision of Shared/ Management Services <sup>3</sup>	CCM	PT CCM Indonesia ("PTCCMI")	(2)*	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Provision of Shared/ Management Services <sup>3</sup>	CCM	CCMSPL	20	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Sale of Chemicals	CCMC	CCM International (Philippines), Inc. ("CCMIP")	-	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>

Transactions	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
Sale of Chemicals	CCMC	Upha Pharmaceutical Manufacturing (M) Shd. Bhd. ("UPHA")	240	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Sale of Chemicals	CCM Polymers	CCMC	-	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Sale of Chemicals	CCMUK	CCMC	1,623	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>
Sale of Chemicals	CCMC	Duopharma (M) Shd. Bhd. ("DMSB")	8	<i>Interested Director/ Interested person connected: LAAS<sup>2</sup></i>

\* *over-provision of Shared/ Management Services in 2015 and adjusted in year 2016 due to closure of business.*

**Notes:**

1. Lembaga Tabung Haji ("LTH") holds direct interest of 49.9% in the issued share capital of CCMF and 5.07% in the issued share capital of CCM.
2. Leonard Ariff bin Abdul Shatar ("LAAS") is the Group Managing Director of CCM. In addition, LAAS is the Chief Executive Officer of CCM Duopharma Biotech Berhad ("CCMD") and Pharmaceuticals Business. He is also the Non-Executive Director of CCMC, DMSB, UPHA, CCMUK and CCM Polymers and has no direct interest in any of the companies within the CCM Group, nor its subsidiaries. He is also a director of PanGen Biotech Inc. i.e an investee company of CCM, for which CCM holds 9.34% of its equities.

LAAS is an interested director and an interested "Person(s) connected" as defined in the Definitions Section of this Circular. Therefore, he is deemed interested in the Proposed Shareholders Mandate by virtue of him being an interested Director and an interested person connected to CCM.

3. Provision of Shared/ Management Services refers to support services covering areas of Accounting, Treasury, Procurement, Security, Company Secretarial, Corporate Affairs, Legal, Internal Audit, Human Resource, Information Technology Services etc.



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fifty-Fifth (55<sup>th</sup>) Annual General Meeting (“AGM”) of the Company will be held at the **Junior Ballroom, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur** on **Wednesday, 24 May 2017** at **10.30 a.m.** for the following purposes:

## AGENDA

### As Ordinary Business

1. To consider and adopt the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.

**Ordinary Resolution 1**

2. To re-elect the following Directors retiring under Article 91 and Article 96 of the Constitution of the Company.

(a) Dato’ Seri Ir. Dr. Zaini bin Ujang

**Ordinary Resolution 2**

(b) Datin Paduka Kartini binti Haji Abdul Manaf

**Ordinary Resolution 3**

(c) Datuk Nik Moustpha bin Haji Nik Hassan

**Ordinary Resolution 4**

3. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.

**Ordinary Resolution 5**

4. To approve the payment of total Directors’ fees amounting to RM698,000 for the financial year ended 31 December 2016 and proposed total Directors’ fees amounting to RM1,080,000 for the period commencing 1 January 2017 until the conclusion of the next AGM of the Company in 2018, and further, to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine.

**Ordinary Resolution 6**

5. To approve the proposed payment of total Directors’ Remuneration (excluding Directors’ Fees) up to an amount of RM650,300 for the period from 31 January 2017 until the conclusion of the next AGM of the Company (“Relevant Period”).

**Ordinary Resolution 7**

6. To transact any other business of which due notice shall have been received.

### As Special Business

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

7. Proposed Renewal of Existing Shareholders’ Mandate and Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“Proposed Shareholders’ Mandate”).

**Ordinary Resolution 8**

“That subject to the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), the Company and/or its subsidiaries shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature with the related party as specified in Sections 2.2.1 and 2.2.4 of the Circular to Shareholders dated 28 April 2017 which are necessary for the Company and/or its subsidiaries’ day-to-day operations subject further to the following:

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, and the transactions are undertaken on arm’s length basis and are not to the detriment of the minority shareholders;
- (ii) the approval is subject to annual renewal and shall continue to be in force until:
  - (a) the conclusion of the next AGM of the Company following the forthcoming AGM at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Sections 340(1) and 340(2) of the Companies Act 2016 but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016; or

- (c) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier; and
- (iii) the disclosure is made in the Annual Report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year.

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

#### By Order of the Board

**NOOR AZWAH BINTI SAMSUDIN** (LS 0006071)  
**IBRAHIM HUSSIN SALLEH** (LS 0009121)  
 Company Secretaries

Kuala Lumpur  
 Date: 28 April 2017

#### NOTES:

- 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.
- 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.
- 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.

- 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.
- 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.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Company’s Registrar, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than twenty-four (24) hours before the time appointed for the taking of the poll as per Section 334(3) of the Companies Act, 2016.
- Only Depositors whose names appear in the Record of Depositors as at 17 May 2017 be regarded as members and entitled to attend and vote at the meeting.

#### Explanatory Notes on Ordinary Business

##### Ordinary Resolution 6 – Directors’ Fees

The Board of Directors fees as set out below had been implemented since 2012 while the Board Committee fees had been implemented since 2010.

		RM per annum
(a)	Chairman of the Board	100,000
(b)	Member of the Board	75,000
(c)	Chairman of Board Committees	10,000
(d)	Member of Board Committees	8,000

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Pursuant to Para 7.24 of the Listing Requirement and Bursa Malaysia's Clarification Letter issued on 30 May 2016, under item (3), public listed companies ("PLC") are required to seek specific shareholder approval at the general meeting, on any increase in total directors' fees payable/paid to the Directors. PLC must not rely on a mandate for the capped amount obtained previously, even though its Constitution may allow for it or such mandate is still valid. In addition to this, under Section 230(1) of the Companies Act 2016 which came into force on 31 January 2017, the fees of the Directors, and any benefits payable to Directors of a listed company and its subsidiaries shall be approved at a general meeting.

As such, following the increase in the total Directors' Fees paid to Directors from RM619,639 in financial year ended 2015 to RM698,000 in financial year 2016 as a result of the increase in number of Non-Executive Directors during the financial year, the Company is now required to obtain a specific shareholders' approval at this AGM despite obtaining prior approval on directors' fees.

The actual total Directors' Fees incurred for FY2016 was RM698,000. With respect to the proposed total Directors' Fees for financial year 2017 until the conclusion of the next AGM of the Company in 2018, assuming that the total number of Directors and Board Committees as well as the members of the Board Committees remain the same, the total amount is expected to increase to RM1,080,000 as the newly appointed Directors in financial year 2016 are expected to have served a full financial year in 2017 until the conclusion of the next AGM in 2018, despite the entitled amount being the same as per previous years. This resolution, if passed, will facilitate the payment of Directors' Fees on current financial year basis.

	2016 (RM)	2017 (RM)
Chairman of the Board	100,000	100,000
Member of the Board	75,000	75,000
Chairman of Board Committees	10,000	10,000
Member of Board Committees	8,000	8,000

## Ordinary Resolution 7 – Directors' Remuneration (excluding Directors' Fees)

The directors' remuneration (excluding Directors' Fees) comprises 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)	Members (RM)
Meeting allowance (per meeting)	Board	1,300	1,000
	Board Committee	1,200	1,000
Other benefits	Hospital and Surgical Insurance, Business Travel and Accommodation and other claimable benefits		

*Note: The Group Managing Director does not receive any Directors' Remuneration other than those specified in his service contract.*

In determining the estimated total amount of remuneration (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 estimated amount of RM650,300 is derived from a total of RM470,000 for Financial Year 2017 plus one-third (1/3<sup>rd</sup>) of the said amount equivalent to RM180,300 for the period from 1 January 2018 until the next AGM in 2018. In the event that the Directors' Remuneration (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 7, 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 the Directors' Remuneration (excluding the Directors' Fees) 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.

## Explanatory Notes on Special Business

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

The explanatory notes on Ordinary Resolution 8 are set out in the Circular to Shareholders dated 28 April 2017.

# STATEMENT ACCOMPANYING THE NOTICE OF THE FIFTY-FIFTH (55<sup>TH</sup>) 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 three (3) 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 43, 44 and 46 of this Annual Report.

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# PROXY FORM

CDS Account No. \_\_\_\_\_

**CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)**  
(Incorporated in Malaysia)

I/We \_\_\_\_\_  
(FULL NAME IN CAPITAL LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

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

\_\_\_\_\_ (FULL NAME IN CAPITAL LETTERS)

of \_\_\_\_\_ (FULL ADDRESS)

as my/our proxy to vote for me/us at the Fifty-Fifth (55<sup>th</sup>) Annual General Meeting ("AGM") of the Company to be held at Junior Ballroom, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur, on Wednesday, 24 May 2017 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 consider and adopt the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.	Ordinary Resolution 1		
2.	To re-elect the following Directors retiring under Article 91 and Article 96 of the Constitution of the Company:-			
	a) Dato' Seri Ir. Dr. Zaini bin Ujang - Article 91	Ordinary Resolution 2		
	b) Datin Paduka Kartini binti Haji Abdul Manaf - Article 91	Ordinary Resolution 3		
	c) Datuk Nik Moustpha bin Haji Nik Hassan - Article 96	Ordinary Resolution 4		
3.	To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 5		
4.	To approve the payment of total Directors' Fees amounting to RM698,000 for the financial year ended 31 December 2016 and proposed total Directors' Fees amounting to RM1,080,000 for the period commencing 1 January 2017 until the conclusion of the next AGM of the Company in 2018, and further, to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine.	Ordinary Resolution 6		
5.	To approve the proposed payment of total Directors' Remuneration (excluding Directors' Fees) up to an amount of RM650,300 for the period from 31 January 2017 until the conclusion of the next AGM of the Company ("Relevant Period").	Ordinary Resolution 7		
NO.	SPECIAL BUSINESS	RESOLUTION NO.	FOR	AGAINST
6.	Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate").	Ordinary Resolution 8		

\_\_\_\_\_  
No. of shares

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

## NOTES:

- 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.
- 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.
- 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.
- 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.
- 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.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Company's Registrar, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than twenty-four (24) hours before the time appointed for the taking of the poll as per Section 334(3) of the Companies Act, 2016.
- Only Depositors whose names appear in the Record of Depositors as at 17 May 2017 be regarded as members and entitled to attend and vote at the meeting.

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The Registrar  
**Chemical Company of Malaysia Berhad** (5136-T)  
Level 6, Symphony House  
Block D13, Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

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**NEGARAKU**