



DATO' SRI AZALINA BINTI OTHMAN
CHAIRMAN

In 2014, CCM Group faced a challenging year as poor market conditions continued to affect our performance in both our Chemicals and Fertilizers Divisions. However, our Pharmaceuticals Division continued to show strong results as it had over the last three years. This was driven primarily by our government tenders and Over-The-Counter (“OTC”) business. Nevertheless, amidst the difficulties faced, the Group remain steadfast to strengthen our strategic initiatives and use our working capital efficiently to boost our performance. With this, I present to you the Annual Report and financial statements of CCM Group for the financial year ended 31 December 2014.

OUR PERFORMANCE

For the financial year ended 31 December 2014, we registered a decline in financial results mainly due to lower revenue at our Fertilizers and Chemicals Divisions, coupled with an impairment loss made against our Medan plant assets. The Group's total revenue contracted 15.0% to RM1.09 billion compared to the corresponding period last year, while registering a loss before tax of RM22.1 million. Notably, our Pharmaceuticals Division turned in an improved performance in 2014 with revenue increasing by 8.2% to RM320.4 million and a profit before tax of RM35.7 million, which was a commendable growth of 16.0%. This was attributed to the increase in revenue generated from its ethical segment, as well as higher plant utilisation rate for the year. More information on our performance is available in the Group Managing Director's Operations Review on page 11.

Chairman's statement

BUSINESS OUTLOOK AND PROSPECTS

The global economy was expanding at a moderate and uneven pace in 2014 and it will be expected to strengthen in the next two years with the world gross product projected to grow by 3.1% and 3.3% in 2015 and 2016 respectively. At the same time, economic growth in South Asia is set to gradually pick up from an estimated 4.9% in 2014 to 5.4% in 2015 and 5.7% in 2016.

The Malaysian economy is expected to sustain its growth momentum in 2015 with strong domestic demand and improvements in the external sector as key factors for this growth. Gross Domestic Product ("GDP") is expected to expand at a steady pace between 5.0% and 6.0% in 2015. However, there still remain the downside risk factors including slower growth in emerging markets as well as geopolitical tensions.

On the supply front, all sectors are said to be expanding with the manufacturing and services remaining as drivers of growth. The domestic economy activity is also said to remain resilient along with higher export orientated manufacturing activities and trade-related services.

Our Chemicals Division will continue to face challenges from the fluctuating Chlor-Alkali prices this year. However, we will continue to strive to increase trading margins as well as focusing on new trading segments and expanding our customer base in the region.

Malaysia's pharmaceuticals market will remain upbeat in 2015 with a government allocation of RM23 billion for the healthcare sector. The government is also looking to improve medical access as well as mitigate the impact of the Goods and Services Tax ("GST") on medicine prices to buffer the impact of GST on the Rakyat. We will also continue to leverage on the stable demand for our products to boost sales. At the same time, the government's focus on the pharmaceuticals sector as one of the National Key Economic Areas ("NKEA") under the Economic Transformation Programme ("ETP") will aid our Division to continue growing sustainably. The Division will also strengthen our leadership in Halal pharmaceuticals to capitalise on the growing demand of Halal products.

At the same time, the fertilizers market is expected to remain volatile on a backdrop of a challenging plantation industry. Our Fertilizers Division will need to remain steadfast and will continue to focus on cost optimisation and operational excellence in improving our profit margins. We will also heighten our focus on market penetration as well as marketing activities to increase brand awareness.

On our research and development ("R&D") front, we aspire to focus on differentiation and innovation to align ourselves with the growing needs of our customers. We work on building

sustainable partnerships with both local and foreign industry players as well as institutions of higher learning to help us develop products that will further drive our business and the market as a whole.

At the same time, the Group will remain committed to carry out our Corporate Responsibility programmes to positively bring about changes to the community we operate in. This year, I am proud to note that, among others, we helped in the aftermath of the flood in Temerloh, Pahang. With the help of 45 CCM employees, we cleaned up the surrounding areas and contributed essential items such as mattresses, blankets, pillows and cooking utensils to help alleviate their burden. In the spirit of our giving culture, we are confident that year on year, we will be able to play our part as pivotal members of the society.

DIVIDEND

The Board of Directors is pleased to approve an interim single tier dividend of 2.50 sen per share amounting to approximately RM11.4 million which was paid on 15 January 2015.

ACKNOWLEDGEMENT

As we move forward to 2015, I take this opportunity to thank all our stakeholders, particularly our shareholders, customers and partners for the ardent support given throughout the years. A special note of thanks and appreciation to Encik Amirul Feisal bin Wan Zahir who resigned as Group Managing Director in October 2014. Encik Amirul Feisal has been most instrumental in mapping the transformation programme for the CCM Group. My warm welcome to Encik Leonard Ariff bin Abdul Shatar who came on board to take over the baton to move the Group to greater heights.

I would also like to commend on the collective efforts of my fellow Board members, management and all employees for their hard work throughout the year. On behalf of the Board of Directors, I would like to thank our former Board member, Datuk Karownikaran @ Karunakaran a/l Ramasamy who resigned from the Board in December 2014 for his invaluable contributions and also to welcome Datin Paduka Siti Sa'diah binti Sh Bakir to the Board. I am confident that despite the challenges in the coming years, the support, passion and commitment we put in our work will see us through.

Thank you.

DATO' SRI AZALINA BINTI OTHMAN

Chairman