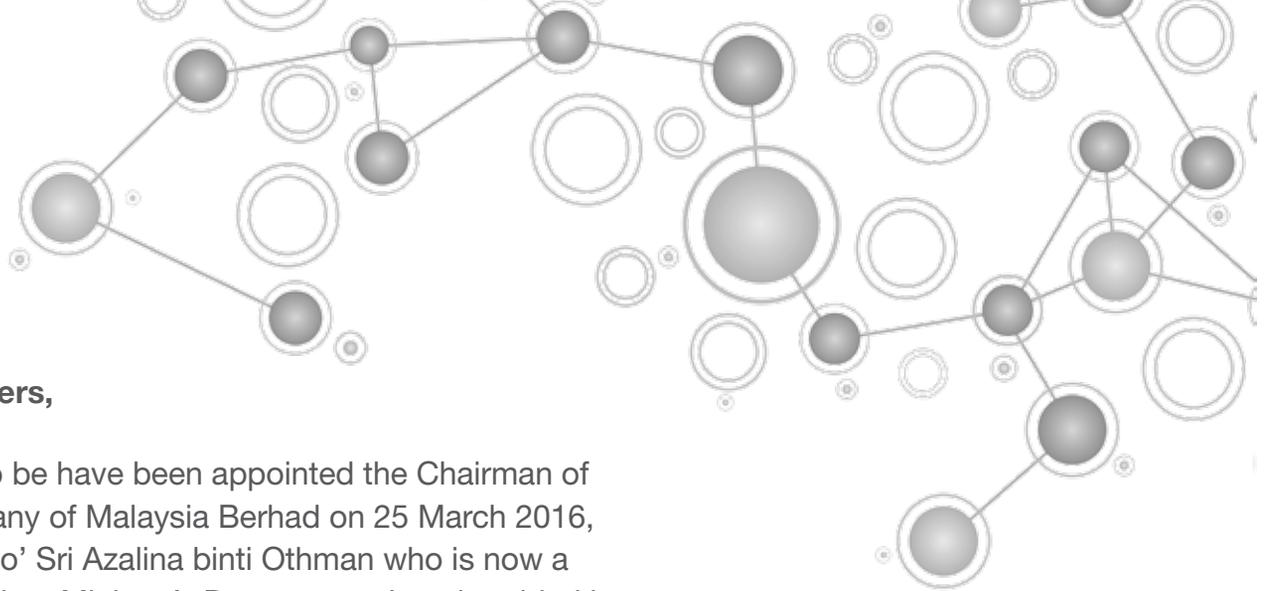


CHAIRMAN'S STATEMENT

**YB HAJAH NORMALA
BINTI ABDUL SAMAD**
NON-INDEPENDENT
NON-EXECUTIVE CHAIRMAN





Dear Shareholders,

I am honoured to have been appointed the Chairman of Chemical Company of Malaysia Berhad on 25 March 2016, replacing YB Dato' Sri Azalina binti Othman who is now a Minister in the Prime Minister's Department. I am humbled by this responsibility entrusted upon my shoulders and believe that with the commitment of my fellow Board members, management and staff of the Company, we will be able to shape the Company to be a more dynamic and successful organisation.

The year 2015 was a mixed year for the Group as we achieved many highs and lows. Our Pharmaceuticals and Chemicals Divisions performed well but the Fertilizers Division's performance was below expectations. On the pharmaceuticals front, the consolidation of our pharmaceutical units to our subsidiary, CCM Duopharma Biotech Berhad ("CCMD") paved the way for us to become Malaysia's largest generic pharmaceutical manufacturer. On the other hand, the Fertilizers Division was badly affected by the poor market conditions. Our fertilizers plant in Shah Alam ceased operations late last year in view of negative market conditions and reduced demand for ammonium nitrate-based compound fertilizers.

Through the ups and downs of the year, we remain steadfast in our strategic initiatives and continuously focused in our efforts to use our working capital efficiently in order to boost our performance. With this, I present to you the Annual Report and financial statements of the CCM Group for the financial year ended 31 December 2015.

OUR PERFORMANCE

The Chemical Company of Malaysia Berhad Group posted a net loss of RM73.2 million for the year ended 31 December 2015, on the back of

impairments and write-downs made on the plants, equipment and other related assets of our Fertilizers Division amounting to RM48.7 million. Following a strategic review of the business segment, we will be exiting our fertilizers business which has been continuously incurring losses since 2013. The decision was arrived at after due consideration and analysis of the market outlook, competitive intensity and attractiveness of the industry. The move will allow the Company to place greater attention on enhancing the business profitability of our Pharmaceuticals and Chemicals Divisions.

From the core operations of Pharmaceuticals and Chemicals businesses, the Group registered a commendable 27.4 per cent growth in profit before tax for the financial year ended 31 December 2015 to RM53.0 million from RM41.6 million in the same period last year. The Group's total revenue from these businesses increased by 5.0 per cent to RM630.3 million, compared to the corresponding period last year of RM600.4 million.

BUSINESS OUTLOOKS AND PROSPECTS

For the past several years, it was evident that the global economy lacked a positive dynamic coupled

with slow investment growth and weak productivity. The global economy for the year 2016 is projected to have a modest improvement with a growth rate of 2.8 per cent, up from 2.5 per cent in 2015. Specifically, Southeast Asia is unlikely to see any significant improvement in 2016, compared to 2015.

For Malaysia, the volatility in the financial and currency markets together with commodities and global political uncertainties, suggest that the Malaysian economic outlook will remain challenging in 2016. It is predicted that Malaysia's real GDP will sustain at 4.9 per cent in 2016, slightly higher than the estimated 4.8 per cent in 2015.

Within the organisation, our businesses will continue to face the effects of the declining economy and reduced demand. For our Chemicals Division, it will continue to face challenges from the fluctuating prices of Chlor-Alkali products. The polymer coating business remains a stable profit contributor to the Division, as seen by the strong demand from the vibrant rubber and nitrile glove industry. We will intensify our focus on trading margins and work on discovering new segments as well as building a stronger customer base within the country and the Southeast Asian region.

CHAIRMAN'S STATEMENT (CONT'D)

Malaysia's pharmaceuticals market is set to remain positive for the year 2016, fueled by the construction of more hospitals and health clinics and the increased number of zero-rated drugs under the Goods and Services Tax. The zero-rating of 8,630 types of drugs under the Goods and Services Tax, which came into effect on 1 January 2016, is expected to reduce the cost of medication in private hospitals and clinics in Malaysia. Among the controlled drugs in the list are those to treat cancer, heart diseases, diabetes and high blood pressure.

In addition, we are mindful of the impact of the Trans-Pacific Partnership Agreement ("TPPA"), signed by Malaysia in February 2016, which could alter the Malaysian pharmaceutical sector's long-term prospects. Malaysia's stance during the negotiations was that the TPPA should not hinder public access to affordable medicines and healthcare while ensuring the right incentives for pharmaceutical innovators to produce new drugs. CCM is also concerned that drug producers may be able to extend the initial patent terms beyond 20 years. This will add to the costs borne by patients over the long run. It was heartening to note that industry feedback was taken into consideration in the negotiation process.

However, despite the challenges we might face from the TPPA, we will remain bullish on our mission to provide the best for our consumers. We still look forward to a fruitful year for our Pharmaceuticals Division following our strategic move in consolidating all our pharmaceuticals units under our subsidiary, CCM Duopharma Biotech Berhad ("CCMD"). The year under review will certainly see us increasing our product offerings and synergising from economies of scale via the consolidation and optimisation of production facilities. We will continue

to grow the pharmaceutical business through identification of new pipelines, which consist of new products in biotherapeutics and niche therapeutic areas, as well as regional expansion and modernisation.

CCM is pleased to announce that PanGen Biotech Inc., an investee company of CCM has been listed on KOSDAQ ("Korean Securities Dealers Automated Quotations") which is a trading board of Korea Exchange ("KRX") in South Korea on 11 March 2016 under the category of New Growth Engine Companies.

As mentioned earlier, CCM is exiting the fertilizers business in totality. Details leading to the exit of this business is available on page 16 of the Annual Report.

On our research and development front, we will continue to work on innovating and striving to meet the growing needs of our customers. For the upcoming year, we will focus on our plant expansions at both our Pharmaceuticals and Chemicals businesses to meet the changing demands of future markets to ensure that the Group stays relevant and sustainable.

In CCM, we recognise that responsible business and sustainability go hand in hand and are the key drivers that differentiate our business from others. Clear goals translated into specific roles and responsibilities are at the heart of our corporate strategy. These are helping to safeguard our long-term business profitability as well as enabling us to create a positive impact on our stakeholders, society and the environment. In 2015, we continued to uphold good economic, environmental and social ("EES") practices as well as invested in measures that promoted the sustainable growth of our business and created value for our shareholders.

A summary of our 2015 EES initiatives can be found on pages 18 to 23 of this Annual Report, while the finer details of our EES efforts are spelt out in the standalone CCM 2015 Sustainability Report which is available on our corporate website.

DIVIDEND

The Board of Directors are not recommending any final dividend for the financial year ended 31 December 2015. An interim dividend for 2015 of 2.50 sen per share was paid on 1 October 2015.

ACKNOWLEDGEMENT

On behalf of my fellow Board members, Management and staff of the CCM Group, I would like to express my appreciation and thanks and also our congratulations to YB Dato' Sri Azalina binti Othman, who resigned as Chairman from the Board in July 2015 to assume her appointment as Minister in the Prime Minister's Department. YB Dato' Sri Azalina binti Othman, has been most instrumental in leading and guiding the Group during her 2 year tenure with the Company.

I would like to take this opportunity to thank all our stakeholders, particularly our shareholders, customers and partners for their undivided support through both the good and challenging years. I commend the collective efforts of my fellow Board members, Management and staff for their dedication and tenacity throughout the year. Despite our numerous setbacks, I remain confident that our core values of passion and commitment will see us through.

Thank you.

YB Hajah Normala binti Abdul Samad
Chairman