

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

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

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