

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Amounts in RM'000 unless otherwise stated

The Directors of Chemical Company of Malaysia Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 31 May 2018.

PRINCIPAL ACTIVITIES

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

On 28 December 2017, the Group completed the demerger of CCM Duopharma Biotech Berhad where the pharmaceutical operations were demerged from the Group. Moving forward the Group will focus on chemical and polymer operations. Details of the demerger are set out in Note 32 to the financial statements. Other than mentioned above, there were no other significant changes in the principal activities of the Group.

ULTIMATE HOLDING COMPANY

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	25,919	6,583
Non-controlling interests	13,899	-
	39,818	6,583

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.



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DIVIDENDS

Since the end of the previous financial year, the Company paid a first interim ordinary dividend of 2.50 sen per ordinary share totalling RM11,365,797 in respect of the financial year ended 31 December 2017 on 1 June 2017.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2017.

DIRECTORS OF THE COMPANY

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

Dato' Hajah Normala bt Abdul Samad, Chairman
Nik Fazila binti Nik Mohamed Shihabuddin, Group Managing Director (Appointed on 28 December 2017)
Dato' Azmi bin Mohd. Ali
Khalid bin Sufat
Dr. Leong Chik Weng
Datin Paduka Kartini bt Hj Abdul Manaf
Dato' Seri Ir. Dr. Zaini bin Ujang
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah (Appointed on 9 March 2018)
Tan Sri Datin Paduka Siti Sa'diah bt Sh Bakir (Resigned on 28 December 2017)
Datuk Nik Moustpha bin Hj Nik Hassan (Resigned on 28 December 2017)
Leonard Ariff bin Abdul Shatar, Group Managing Director (Resigned on 28 December 2017)

DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 31 December 2017 had any interest in the ordinary shares and options of the Company and of its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 45,463,186 new ordinary shares at RM1.32 per ordinary share via a private placement to eligible investors for a total cash consideration of RM60 million. Subsequently, the Company consolidated 503,093,042 cumulative number of shares, on 3 to 1 basis, into 167,695,988 new ordinary shares.

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

TREASURY SHARES

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

The treasury shares are being disposed in accordance with Section 127 (7)(b) of the Companies Act 2016 and further relevant details are disclosed in Note 14 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

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

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

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.

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FOR THE YEAR ENDED 31 DECEMBER 2017

OTHER STATUTORY INFORMATION (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, other than the effect arising from demerger of CCM Duopharma Biotech Berhad ("CCMD") as disclosed under Note 20 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 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 32 to the financial statements.

SUBSEQUENT EVENTS

The details of such events are disclosed in Note 33 to the financial statements.

AUDITORS

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

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

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

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Dato' Hajah Normala bt Abdul Samad
Director

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Nik Fazila binti Nik Mohamed Shihabuddin
Director

Kuala Lumpur,

Date: 15 March 2018