



Chairman's
STATEMENT



Tan Sri Dato' Sri
Hamad Kama Piah bin Che Othman
Chairman



Chairman's STATEMENT cont'd



Dear Shareholders,

2012 has been a year of perseverance. I am happy to note that some of the strategic initiatives undertaken by CCM Group since two years ago have started to bear fruits and show improvements in the Group's financial results. Although the overall business environment is still very tough and various market conditions continue to present many challenges to our operations, I must commend all the members of the CCM family, from staff, middle management, senior management all the way to the Board members for all the hard work, commitment and steadfastness shown in our journey towards continuous improvement. One small step that we take may indeed result in significant gains to the Group.



The initial results of the cost rationalisation initiatives for the Fertilizers Division, in addition to the favourable market conditions in the pharmaceuticals sector, have helped to strengthen margins. On the other hand, despite experiencing a challenging market, our Chemicals Division has continued its positive contribution to the Group.

Overall, CCM Group continued its performance enhancement programme, with all three business divisions implementing various operational initiatives to consolidate their positions, which include cost optimisation and business portfolio rationalisation strategies. This was done together with other various strategic initiatives to establish a solid foundation for future growth. We believe that the measures undertaken since we embarked on this strategic review journey will prove beneficial for the Company and ensure sustainability in the long term.

With this, I present to you the Annual Report and financial statements of CCM Group for the financial year ended 31 December 2012.

OUR PERFORMANCE

For the financial year ended 31 December 2012, CCM Group's profit before tax increased by 24.6% to RM71.9 million from RM57.7 million albeit on the back of slightly declining total revenue of RM1,514.0 million, which was 6.0% lower than the previous year's RM1,610.2 million.

The Chemicals Division remained as the largest contributor of profits, although 10.3% lower at RM39.0 million from RM43.5 million in 2011. The decline in profitability was mainly due to a combination of factors attributed to restructuring of business segments, increase in utility costs and softer commodity market. This was also reflected in the fall in revenue for the division by 14.8% to RM352.2 million from RM413.2 million in the preceding year.

The Pharmaceuticals Division recorded an 8.5% increase in revenue of RM284.8 million from RM262.4 million for the period under review. Profit before tax for the division surged by 30.3% to RM25.4 million from RM19.5 million as a result of improved sales and margins to both the government and private sectors.

The Fertilizers Division has shown marked improvement in its performance during the year under review, registering profit before tax of RM10.7 million – a recovery from loss before tax of RM10.0 million in the preceding year. This was despite lower revenue recorded by the division amounting to RM876.3 million, which represented a 6.2% decline from RM934.2 million in 2011. The turnaround was attributed to the increase in gross profit margins of compound and straights/mixture fertilizers as well as the division's ongoing cost rationalisation efforts.

In addition, there was also recognition of change in fair value of investment properties of RM7.3 million, which has contributed positively towards CCM Group's overall profitability. CCM Group's cash position was also strengthened due to positive operating cash flows as well as proceeds from conversion of warrants. Further, CCM Group has also refinanced its short-term borrowings into long term, thus reducing its short-term obligations from RM665.1 million to RM293.6 million for the year ended 31 December 2012. Accordingly, this has raised long-term borrowings from RM122.4 million to RM550.0 million. The overall refinancing strategy however, has allowed CCM Group to focus on various strategic initiatives to improve operations in the short and medium term.

DIVIDEND

The Board of Directors is recommending a final dividend (single tier) of 5.75 sen for the current period ended 31 December 2012, more than double from 2.86 sen in the previous year.

BUSINESS OUTLOOK AND PROSPECTS

This year, Malaysia's GDP is expected to continue to grow steadily at a rate of 4.5% to 5.5%. Nevertheless, in light of continued uncertain global market conditions and increasingly competitive markets, 2013 may still be a challenging year for all of CCM Group's businesses.

Demand in the manufacturing sector is expected to remain resilient with an expected growth rate of 5.0% annually until 2015. However, the Chlor-Alkali market is expected to experience a challenging first half of 2013, attributed to regional market dynamics. However, conditions are expected to improve incrementally as we go into the second half of the year. Our trading and polymer coating businesses are expected to cushion the cyclical effect of the Chlor-Alkali market. Therefore, we expect that our Chemicals Division to continue to contribute positively in 2013.

The Government is expected to continue its focus on the pharmaceutical sector, which is one of the National Key Economic Areas (NKEA) under the Economic Transformation Programme (ETP). Under the improvement of healthcare delivery initiative through the establishment of 1Malaysia Clinics and new hospitals across the country, our Pharmaceuticals Division is poised to benefit from steady

demand for generic products. In addition, the general trends of increasing life expectancy and growing affluence of the population would also translate into increased demand for pharmaceutical products in the long term.

The high inventory of crude palm oil (CPO) is putting a downward pressure on global prices and therefore, margins for plantation owners. This is owing to factors such as slower global economic growth and lower demand for CPO. However, the situation is expected to improve as we move towards the second half of 2013. Moreover, various initiatives on operational excellence in the Fertilizers Division are bearing positive results and expected to mitigate the volatility in the market. Continuous efforts on operational efficiency and market penetration in both local and regional markets are expected to support further improvements to the Fertilizers Division.

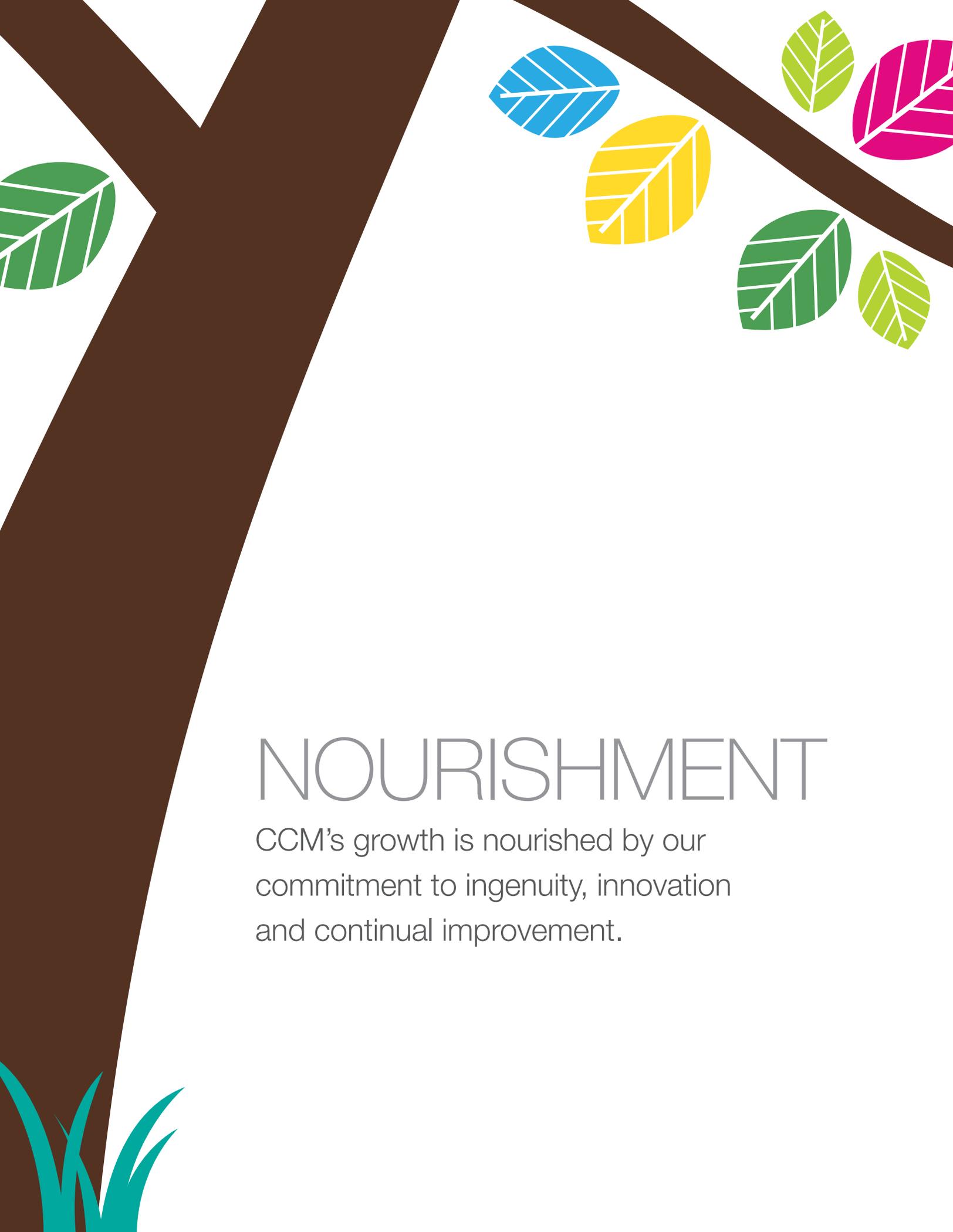
As a Group, we firmly believe in knowledge enhancement and continuous improvement. In line with this, CCM Group is putting greater emphasis on research and development (R&D) to enhance product portfolio and meeting customer needs in the short and long term in all of our businesses. The R&D is undertaken through strategic collaboration with both local and foreign major industry players and local institution of higher learning. This shall be the prevailing theme to ensure that CCM Group's current business operations and ventures consistently progress, while providing a strong foundation for future growth.

ACKNOWLEDGEMENT

The year 2013 is an auspicious year in that CCM Group will be celebrating its 50th Anniversary. I sincerely would like to thank all our stakeholders especially the shareholders, customers and partners for persevering with us in both the good and bad times. I would also like to commend my fellow Board members, management and all staff for the continuous improvement in our results in 2012. Although 2013 is expected to be a challenging year, with everyone's continuous support, passion and commitment, CCM Group shall continue to grow from strength to strength.

Thank you.

**Tan Sri Dato' Sri Hamad Kama Piah
bin Che Othman**
Chairman



NOURISHMENT

CCM's growth is nourished by our commitment to ingenuity, innovation and continual improvement.

