



DIRECTORS' REPORT for the year ended 31 December 2012

Amounts in RM'000 unless otherwise stated

The Directors of Chemical Company of Malaysia Berhad have pleasure in submitting their fifty-first annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2012. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 26 June 2013.

PRINCIPAL ACTIVITIES

Chemical Company of Malaysia Berhad is an investment holding and management company with subsidiaries engaged in the manufacturing and marketing of fertilizers, chemicals and pharmaceuticals 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.

RESULTS

	Group	Company
Profit for the year attributable to:		
Owners of the Company	36,912	29,164
Non-controlling interests	17,107	-
	54,019	29,164

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.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) a final ordinary dividend of 0.44 sen per ordinary share less tax at 25% totalling RM1,325,911.73 (0.33 sen net per share) in respect of the financial year ended 31 December 2011 on 24 July 2012.
- ii) a final ordinary tax exempt dividend of 2.42 sen per ordinary share totalling RM9,723,352.70 in respect of the financial year ended 31 December 2011 on 24 July 2012.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2012 is a final single tier dividend of 5.75 sen per ordinary share which if approved, will be paid on 23 July 2013 to shareholders registered at the close of business on 2 July 2013.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman, Chairman
Amirul Feisal bin Wan Zahir, Group Managing Director
Dato' Azmi bin Mohd Ali
Khalid bin Sufat
Dr. Leong Chik Weng
Professor Dato' Seri Ir. Dr. Zaini bin Ujang
Datuk Karownikaran @ Karunikaran A/L Ramasamy
Datin Paduka Kartini binti Haji Abdul Manaf

DIRECTORS' INTERESTS

None of the Directors holding office at 31 December 2012 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 emoluments 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 52,873,871 ordinary shares of RM1 each for cash arising from conversion of 52,873,871 Warrants-B on the basis of one ordinary share at the price of RM1.36 per ordinary share for every warrant held.

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

OPTIONS GRANTED OVER UNISSUED SHARES/WARRANTS

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



DIRECTORS' REPORT cont'd for the year ended 31 December 2012

WARRANTS

On 27 December 2002, the Company issued RM200,000,000 nominal amount of 7-year 3% Fixed Rate Bonds ("the Bonds") together with 88,040,592 detachable warrants (hereinafter termed "Warrants-B") at 100% of the nominal amount of the Bonds to AmMerchant Bank Berhad as primary subscriber.

On 13 January 2003, the primary subscriber offered for sale 88,040,592 Warrants-B at an offer price of RM0.4522 per warrant on a non-renounceable basis to the shareholders of the Company on the basis of one (1) warrant for every four (4) existing ordinary shares held.

These Warrants-B confer upon the registered holder the right to subscribe for one ordinary share ("New Share") of RM1.00 in the Company at an exercisable price of RM1.36 for each new ordinary share, subject to adjustments under certain circumstances in accordance with the Deed Poll dated 22 November 2002 commencing on the issue date and ending on the date falling 10 years from the issue date.

The Company has on 24 December 2009 fully redeemed the Bonds and fully settled the final interest payment for the Bonds in accordance with the terms and conditions of the Trust Deed dated 21 November 2002 relating to the issuance of the Bonds.

Pursuant to the terms and conditions of the Deed Poll dated 22 November 2002, Warrants-B may be exercised at any time within ten (10) years commencing on the issue date and ending on 26 December 2012.

During the period, the subscription period of the Warrants-B of 88,040,592 at an exercise price of RM1.36 has expired on 26 December 2012. Accordingly, the outstanding Warrants-B as at 26 December 2012 of 2,440,566 has lapsed.

TREASURY SHARES

There were no changes in treasury shares during the 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

OTHER STATUTORY INFORMATION (CONTINUED)

- 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, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 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.

HOLDING COMPANY

The holding company is Permodalan Nasional Berhad ("PNB"), a company incorporated in Malaysia.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept reappointment.

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

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman

Amirul Feisal bin Wan Zahir

Kuala Lumpur,
Date: 25 March 2013