

## Chairman's Statement



TAN SRI DATO' SRI HAMAD KAMA PIAH  
BIN CHE OTHMAN  
*Chairman*

*Dear Shareholders,*

*Despite rising uncertainties in the global economy, strong domestic demand and public sector consumption continue to drive the Malaysian economy in 2011, albeit at a slower rate compared with the previous year. At CCM, favourable market conditions in the chemicals and pharmaceuticals sectors have helped to mitigate the effects of a more challenging business environment in the fertilizer sector. Overall, 2011 continued to be a tough year as our three business divisions strengthened efforts towards implementing strategic initiatives to improve the Group's financial performance. We believe the various measures undertaken to enhance operational efficiencies 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 the Group for the financial year ended 31 December 2011.*

### OUR PERFORMANCE

For the financial year ended 31 December 2011, the Group's total revenue eased 1.8 per cent to RM1,610.2 million from RM1,639.0 million in the corresponding period in 2010 while Group profit before tax was 2.5 per cent lower at RM57.7 million from RM59.2 million in the preceding year.

The Chemicals Division emerged as the largest contributor of profits, up to RM43.5 million from RM27.8 million, despite a 9.7 per cent decrease in revenue due to higher selling prices and offset by lower contribution from trading, regional and water systems businesses.

The Pharmaceuticals Division recorded a 5.0 per cent increase in revenue of RM262.4 million from RM250.0 million for the period under review while profit before tax edged down 2.5 per cent due to slight decline in profit margins.

An increase in sales volume saw the turnover for the Fertilizers Division recorded slightly higher revenues of RM934.2 million, up 0.4 per cent from RM930.8 million in the preceding year. However, the division recorded a loss before tax of RM10.0 million compared with a profit of RM7.5 million reported in the same period last year. This was due to the charging out of operating expenses of the new Lahad Datu plant which commenced operations in July 2011 and lower gross margins due to higher raw materials costs.

In addition, for the financial year under review, the Group achieved a gain on disposal from other investment amounting to RM9.5 million. The Group's long-term borrowings fell to RM122.4 million from RM311.3 million for the year ended 31 December 2011 while short-term borrowing rose to RM665.1 million from RM530.0 million in the same period due to reclassification of around RM300.0 million which has now fallen due within one year. The Group will be refinancing the short-term borrowing.

### DIVIDEND

The Board of Directors is recommending a net final dividend of 2.75 sen for the current year ended 31 December 2011, up from 2.65 sen in the previous year.

### BUSINESS OUTLOOK AND PROSPECTS

2012 is expected to be a challenging year for all of the Group's businesses. However, we believe CCM is poised to take advantage of opportunities spurred by the 10th Malaysia Plan.

The pharmaceutical industry was valued at almost RM5.0 billion at the end of 2011. In line with the Government's focus on it as one of the national key economic areas, the industry is expected to sustain commendable growth rates going forward. Additionally, the healthcare sector is also said to be a powerful engine for economic growth as a result of demographic shifts as well as greater affluence and changing lifestyles. With this outlook, the Pharmaceuticals Division continues to be optimistic about maintaining our position as the leading manufacturer in the industry.

Driven by demand in the manufacturing sector which continues to be robust with an expected growth rate in excess of 5.0 per cent annually until 2015, we are confident that our Chemicals Division, the largest contributor to our profits in 2011, will continue to reach greater heights and contribute significantly to the Group's profitability.

In the Fertilizers Division, we aim to take advantage of the opportunities in East Malaysia and South East Asia. With the new Lahad Datu plant, the Fertilizers Division's manufacturing capacity is expected to be boosted to 670,000 tonnes a year. Leveraging on the positive environment of the plantations sector, we will focus our efforts to bring about improvements in our Fertilizers Division via various initiatives in 2012.

As a Group, we are committed to continuously enhance our knowledge and competencies in various areas. In the near term, our focus is to implement an array of strategic initiatives to enhance business processes and address long-term financing positions. We will also continue to strive to enhance product portfolios and market penetration via strategic collaborations with major industry players and academia in the region. This is to ensure that the Group's current business operations and ventures consistently improve and provide a strong foundation for future growth.

### ACKNOWLEDGEMENT

I take this opportunity to thank our shareholders, customers, business associates and partners for their ongoing support. This is also an ideal opportunity for me to acknowledge all the hard work and dedication of my fellow board members, management and staff throughout the year. It will certainly be a challenging year ahead and I am grateful for your continuous support. I am confident that CCM will continue to grow from strength to strength with the passion, drive and commitment of our people.

Thank you.

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

