

Chairman's Statement

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



The favourable market climate in 2010 gave Chemical Company of Malaysia Berhad (CCM or the Group) the opportunity to renew its focus on strategic initiatives to enhance the performance of the Chemicals, Pharmaceuticals and Fertilizers Divisions, resulting in improved operational efficiency and increased research and development (R&D) efforts.

DEAR SHAREHOLDERS,

The dominant theme of the year 2010 was recovery as the Malaysian economy rebounded from the slowdown in 2009.

The successful implementation of a number of fiscal and financial initiatives by the Government had enabled the economy to expand its growth by 7.2% in 2010. Against this background, our three business divisions have been pursuing new opportunities to improve the Group's financial performance and emerge stronger in 2010.

It is my pleasure to present to you the annual report and financial statements of the Group for the financial year ended 31 December 2010.

A YEAR OF RECOVERY

Taking advantage of the stronger operating environment, CCM recorded a 4.4% increase in revenue to RM1.64 billion from the RM1.57 billion recorded in the previous year. Following the increase in revenue, profit before tax (PBT) for the year under review grew almost threefold to RM59.2 million from RM15.6 million in 2009.

The significant growth in the Group's overall profitability was mainly driven by the strong performance of our Chemicals Division which recorded a revenue of RM457.6 million, an increase of 6.0% from last year. The Division also registered a PBT of RM27.8 million compared with a loss of RM15.4 million in 2009. The improved performance came as a result of lower overhead cost, lower provisions and impairment, as well as a higher share of associated company results.

The Group's Pharmaceuticals Division gained 3.0% in revenue to RM250 million from RM242.7 million in 2009. However, the Division's profitability continued to be adversely affected by a number of factors which include continued intense competition within the industry and the quota limitation on controlled drugs. As a result, the Division's PBT dropped 42.5% to RM20.0 million from RM34.8 million recorded in 2009.

Our Fertilizers Division, however, continued to suffer from increasing cost pressures and compressed margins as a result of fierce price competition and excess capacity in the industry. The Division's revenue managed to grow by 3.7% to RM930.8 million from the RM897.3 million recorded in 2009, however, PBT fell 54.8% to RM7.5 million from RM16.6 million in the period under review.

DIVIDEND

The Board of Directors is recommending a final dividend of 2.65 sen tax exempt dividend in respect of the financial year ended 31 December 2010.

BUSINESS OUTLOOK AND PROSPECTS

With economic recovery well underway and the Government aggressively stepping up its efforts to achieve the goal of Malaysia becoming a high-income nation by 2020, opportunities are abound for Malaysian businesses in 2011.

Each of the Group's three divisions is expected to benefit from the growth of their respective industries as a result of the NKEA programme initiated by the Government. The Group will capitalise on these opportunities to continuously grow its market share, enhance production efficiency and control costs effectively to ensure sustained revenue and profit improvement. In order to achieve these objectives, we have initiated business strategies which are expected to improve overall competitiveness and profitability.

Our Chemicals Division will continue to benefit from the robust growth of Malaysia's chemicals industry, especially from Malaysia's dominance of the global rubber glove sector. This bodes well for the Group's investment in the specialty polymer coatings business catering for the medical rubber glove sector.

For the Pharmaceuticals Division, CCM is optimistic about 2011 and beyond as the healthcare NKEA is expected to deliver RM35.3 billion growth to the nation. The Division stands to benefit from the increasing demand for halal products, society's attitude change towards healthy living, and also the opportunity to manufacture affordable generic products as a result of patent expiry.

Growth for the Fertilizers Division will be spurred by the Government's commitment towards realising the palm oil NKEA programme which is expected to increase demand for fertilizer amongst smallholders and big plantation companies. The Group's timely entry into Indonesia also provides a strong platform for future growth.

ACKNOWLEDGEMENT

During the year under review, CCM saw several changes to its Board of Directors and the retirement of Dato' Dr. Mohamad Hashim Ahmad Tajudin as the Group Managing Director.

The Board of Directors of CCM wishes to record its sincere appreciation for the valuable contributions of Tan Sri Ab. Rahman bin Omar, Dato' Dr. Mohamad Hashim Ahmad Tajudin, Tan Sri Dato' Dr. Abu Bakar bin Suleiman, Datuk Dr. Saharan bin Hj. Anang, Dato' Kalsom binti Abdul Rahman, Dato' Mohd. Nizam bin Zainordin, Encik Sreesanthan s/o Eliathamby and Encik Abdul Rahim bin Abdul Hamid, who have left the Board during the course of the year. It has been a privilege for the company to have benefited from their services and professionalism throughout their tenure at CCM.

I am also pleased to welcome Encik Amirul Feisal Wan Zahir as Executive Director and Professor Dato' Ir. Dr. Zaini bin Ujang, Datuk Karunakaran s/o Ramasamy, Dr. Leong Chik Weng, Encik Khalid bin Sufat, Encik Azmi bin Mohd Ali and Puan Kartini Hj. Abdul Manaf, to the Board of CCM.

Most importantly, I would like to thank our shareholders, customers, business associates and partners for their continuous support of the Group. I also wish to acknowledge our management and employees for their dedicated work and contribution. I look forward to the future with confidence that CCM will continue to flourish in innovative ways with the passion, drive and continuous commitment of our staff and Board of Directors in working towards enhancing stakeholder value.

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

LIVING WATER

Our passion to enrich lives drives us to explore new technological advancements. These advancements enable us to touch lives at the very core of life's needs; the purity of living water.





Executive Director's Operations Review

AMIRUL FEISAL BIN WAN ZAHIR
Executive Director

