

Day-to-day:
it is about
consistency,
commitment and
progress.



CHEMICAL COMPANY
OF MALAYSIA BERHAD
[5136-T]



Chairman's statement

Dear Shareholders

Malaysia and the global economy

Malaysia's economy grew by 6.0%, spearheaded by the services sector. Strong domestic consumption spending, higher tourist arrivals and stronger wholesale and retail trade were the main growth contributors, with additional impetus from the real estate, business services, finance and insurance sub-sectors.

The chemical and chemical products industry contributed 10% to the overall growth of the manufacturing sector,

despite higher crude oil prices. The Pharmaceuticals business was affected by higher raw materials prices while the fertilizers business posted better results due to higher external demand and domestic usage by the agricultural sector.

The global economy posted a growth of 5.2%, boosted by the more dynamic expansion of the economies of China, India and Russia which overshadowed the slower growth rates recorded in the US and Europe.

At CCM

Buoyed by the country's economic performance, we turned in a credible set of financial numbers for the financial year 2007. We achieved a turnover of RM1.4 billion compared to RM1.1 billion posted in 2006 and, excluding the effects of unusual items, comparable Profit Before Tax increased from RM74.3 million in 2006 to RM93.3 million in 2007. Reported Profit Before Tax however, declined from RM138.4 million in 2006 to RM105.6 million in 2007, due to non-recurrence of the extraordinary gain from sale of investments recorded in 2006, leading to a drop in earnings per share of 26.9 sen reported in the previous year to 15.7 sen for the year under review.

Our core businesses

All subsidiaries in our core businesses of chemicals, fertilizers and pharmaceuticals performed to expectations.

The Chemicals Division increased its turnover from RM415.8 million in 2006 to RM511.1 million in 2007. It added new agencies to its already extensive portfolio of products, continued to post record-level sales of caustic soda in the country and maintained its strong sales of metals in the region. Our subsidiary in Thailand, CCM Siam Ltd, commenced operations in the first quarter of 2007, further extending our regional network that also covers Indonesia, Singapore and Vietnam.

At the industry level, we have continued our commitment to the Responsible Care Awards promoted by the Chemical Industries Council of Malaysia [CICM]. We were one of the pioneer signatories to the Responsible Care Programme [RCP] when it was introduced by CICM in 1994 and we took on the sponsorship of the Awards for the year 2006. The Awards are part of CICM's RCP, which in turn is a voluntary worldwide initiative to encourage chemical corporations to practise good management practices.

The Malaysian chemical industry is highly regarded in the Asia Pacific region for its RCP and its efforts to persuade industry members to become signatories of the Responsible Care [RC] code as well as to subject them to annual performance reviews. In the last Asia Pacific Chemical Industries Council Review published in 2003, Malaysia was ranked first amongst ASEAN countries and was among the top five in the Asia Pacific region, together with Japan, Australia, New Zealand and Hong Kong. We sealed our local standing by winning five Gold Responsible Care Awards and one Merit Award under the General Chemicals category at the CICM's annual dinner in September 2007.

As the leading supplier of water treatment solutions to the municipal and industrial waste water sectors in the country, our watercare business in the Chemicals Division continued to be lucrative. Future prospects will be enhanced through our acquisition of 97.0% equity in Enersave Water Sdn Bhd, a company involved in designing, installing and providing maintenance services for water purification and waste water treatment systems primarily for the oil & gas, microelectronics and utilities sectors.

Our Fertilizers Division is the largest producer of compound fertilizers in Malaysia, with 30.0% of local market share, and the only one to have been granted both the SIRIM as well as MS ISO 9001:2000 quality

awards. We only have one plant at present at the Shah Alam Industrial Estate in Selangor. It began operations in 1967 and has an annual rated capacity of 260,000 tonnes. We plan to set up three new plants to increase our manufacturing capacity and to reduce the cycle time in bringing our products to customers in Sabah, Sarawak and Indonesia. The first new plant at the Kidurong Industrial Area in Bintulu, Sarawak, had its ground breaking ceremony in January 2007 and 60% of the construction has been completed as at end-2007. Construction of the second plant in Medan, Indonesia, started in December 2007 while land for the third plant in Lahad Datu, Sabah, has been purchased. When all the three new plants are in operation, we will have a combined capacity of 670,000 tonnes of fertilizers per year, which will make us one of the largest producers of compound fertilizers in ASEAN.

A new fertilizer product, CHB 28, for mature oil palm was launched in February 2007. During the year, we were designated the preferred fertilizer supplier to the newly merged Synergy Drive [subsequently renamed as Sime Darby Berhad] as a result of a Memorandum of Understanding signed with that company. Despite having to raise the price on CHB compound fertilizers by 15% to mitigate increases in the prices of raw materials, we were able to increase turnover from RM535.6 million in 2006 to RM723.8 million in 2007.

An aspect of our three-pronged Strategic Plan for 2005-2007 was to improve earnings through mergers and acquisitions. In line with this objective, in March 2007, we acquired the established brands and assets of Malayan Pharmaceutical Sdn Bhd for RM22.0 million through our wholly-owned subsidiary, CCM Pharma Sdn Bhd. This move has brought several established and leading brands such as Chewies, Milidon, Cosmos dietary supplements and Cosmoplast under our wing, thus strengthening our position as a leader in the OTC market. The acquisition has also made us the owner of Malayan Pharmaceutical's registered intellectual property and a pharmaceutical manufacturing facility, which we plan to transform into a comprehensive research and development centre for the Group as well as a dedicated cephalosporin manufacturing plant.

The Pharmaceuticals Division has thus, been further strengthened with this acquisition of Malayan Pharmaceutical's brands and assets. CCM Pharmaceuticals, with over 280 products in its portfolio, is already the nation's largest manufacturer of generic drugs. CCM Duopharma Biotech, acquired in 2006, is a leading manufacturer of small volume injectables and has a growing herbal pharmaceutical business.

24.01.2007



CCM breaks ground for new fertilizer plant in Bintulu

Group is set to increase its manufacturing capacity

The groundbreaking ceremony of the Bintulu fertilizer plant was performed by Tan Sri Ab. Rahman Omar, Chairman of Chemical Company of Malaysia Berhad (CCM). The RM50 million plant at the Kidurong Industrial Area will increase the Group's fertilizers manufacturing capacity by 50% when operational in 2008.

The Bintulu plant is the first three new fertilizer plants in CCM's manufacturing expansion pipeline.

The other two plants will be in Lahad Datu, Sabah, and Medan, Indonesia.

The new plants, being close to markets in Sabah, Sarawak and Indonesia, will drastically reduce cycle time and logistics in delivering products to customers.

16.03.2007

CICM Responsible Care Awards

CCM sponsors 2006 awards

Chemical Company of Malaysia Berhad (CCM) shows its commitment for continuous improvement in the chemical industry's environmental, health and safety performance by sponsoring the CICM Responsible Care Awards 2006.

The Awards, organised by the Chemical Industries Council of Malaysia (CICM), were introduced in 2002 to promote greater understanding of the Responsible Care Programme (RCP) and its principles as well as recognising Responsible Care signatories that have made the most progress in enforcing the Programme's Six Codes of Management Practices.

Sponsorship of the Awards would help to develop awareness of initiatives adopted by members of the chemical industry towards improving the quality of their products and operations.

CCM has been a Responsible Care pioneer signatory with CICM since 1994.

Turnover was increased from RM204.8 million in 2006 to RM217.4 million in 2007, a result of more focused institutional sales, better services to private hospitals and wider penetration of local and regional markets.

Besides being a leading player in the pharmaceutical business in Malaysia, CCM also exports its products to over 20 countries, with Singapore and Hong Kong being our two biggest customers. We are now looking beyond the region towards the Middle East and Africa for additional new markets.

The big picture

As recommended by the guidelines under the GLC Transformation Programme, CCM had announced its 2007 and medium-term headline Key Performance Indicators [KPIs] at the beginning of the financial year. The resulting achievements at the close of the period were as follows:

Headline KPIs	Target	Results
2007 Turnover	RM1.3billion	RM1.4billion
2007 Profit Before Tax [PBT]	RM100million	RM105.6million
Return on Equity	12.0-15.0%*	8.5%

*mid-term target to be achieved by the year 2010

The 2007 headline KPIs were driven by growth in our three core businesses:

Pharmaceuticals

- Growth in local market share, especially for over-the-counter [OTC] products
- Increased business to the government sector
- Expansion in export business, especially in ASEAN markets
- Launch of new innovative products

Fertilizers

- Increased market position, especially in East Malaysia
- Expansion of business in Indonesia and South Thailand
- Increased bulk trading of straight fertilizers in ASEAN markets
- Sourcing of competitively priced raw materials to reduce costs.

Chemicals

- Regional expansion in ASEAN – growth of existing operations in Singapore, Indonesia, Vietnam and Thailand and start-up of operations in the Philippines
- New trading agencies
- Expansion of watercare business to include water engineering services.

Rewarding shareholders

CCM believes in sharing the results of its financial performance directly with shareholders through the maintenance of a high rate of dividend payout. Despite the need for higher levels of capital expenditures in line with our strategy to achieve accelerated future growth, we nevertheless have decided to sustain our dividend payout at the maximum level of 75% of the Group consolidated Profit After Tax and Minority Interests as allowed under our dividend policy. The Board is therefore recommending a final gross dividend declaration of 10.0 sen per share which, together with the interim dividend declared earlier will add up to a total dividend payout of 16.0 sen gross [11.8 sen net] per share for the year.

20.04.2007

MOU between CCM Agri-Max and Golden Hope Research

Joint efforts in R&D and commercialisation of products

Under the Memorandum of Understanding signed between CCM Agri-Max Sdn Bhd and Golden Hope Research Sdn Bhd, CCM Agri-Max would lead market research in the organic fertilizer industry and undertake sales and marketing activities while CCM Agri-Max and Golden Hope Research would jointly develop commercial grade compost from empty fruit bunches, mesocarp fibres and palm oil mill effluent and produce commercial grade organic fertilizer from oil palm decanter solids.

Chemical Company of Malaysia Berhad Group Managing Director, Dato' Dr Mohd Hashim Tajudin, said that the strategic partnership would enhance development and commercialisation of new products to meet the needs of the agro-based industry.

The near future

There are uncertainties in the global market arising from the subprime mortgage crisis in the US and a likely recession in its economy. Nonetheless, the overall global economy is still expected to record positive growth, albeit much affected by the US decline. The Malaysian economy, however, should be able to weather the storm given its strong fundamentals and diversified nature. Growth in 2008 is now expected at 5.0 - 5.5% with positive contributions from all industry sectors and with the main driver being domestic demand.

The businesses that we are in still have much to offer in terms of opportunities. The healthcare industry is burgeoning, thanks to greater interest amongst the public in individual health, which in turn is increasing the demand for more OTC, ethical and herbal-based pharmaceutical products. The focus on agriculture in the Ninth Malaysia Plan will help to boost our fertilizer business, which will also be benefiting from planned expansion in oil palm hectarage in Indonesia. Growth for our chemical business will come from regional expansion while demand for our products and services within the country remains stable.

Having obtained our Halal Certification, a Halal Council has been established at the CCM Group level while Halal Committees have been set up throughout our subsidiaries. We are intent on being a serious player in a global Islamic consumer market valued at about USD580.0 billion and that caters to more than 1.6 billion people. Sales of our pharmaceutical products to Muslim countries already contribute 20.0% to our total export turnover. We are working towards increasing this percentage to 40.0% in the next five years.

With our first three-year Strategic Plan [2005-2007] having completed its course, we are now set to put in place our second Strategic Plan for the period 2008-2010. The momentum for the Group has been set in our earlier initiatives and we are now ready to push it further at the regional as well as global level.

Acknowledgement

There are many parties to thank in keeping the CCM Group at the forefront of its industries. The management and staff, as always, have carried out their responsibilities with dedication, commitment and professionalism. We are grateful for the support and cooperation of the government agencies as well as our principals, suppliers and business partners. Our appreciation goes to our shareholders for their trust in our management of the Group and our customers for their belief in our products and services.

I would like to take this opportunity to welcome Tan Sri Abu Bakar bin Suleiman to the Board of Directors. I also wish to record our appreciation to Dato' Seri Mohd Hussaini bin Haji Abdul Jamil for his contributions to the Group while he was a member of the Board and extend to him our very best wishes in his endeavours. Finally, on a personal note, my thanks go to my fellow Board members for their invaluable insights and guidance.

Tan Sri Ab. Rahman bin Omar
Chairman