

Report of the audit committee

Composition of audit committee and meetings

The Audit Committee comprises of three [3] members, all of whom are Non-Executive Directors.

A total of six [6] meetings were held during the year. The status and attendance record of each of the members during the year are as follows:

Name	Status of Directorship	Number of meetings attended
Tan Sri Dato' Dr. Mohamed Yusof bin Hashim [Chairman]	Independent Non-Executive	6 out of 6
Dato' N. Sadasivan	Independent Non-Executive	3 out of 6
Abdul Rahim bin Abdul Hamid	Independent Non-Executive	6 out of 6

Terms of reference [amended wef 28 February 2008]

In fulfilling its duties and objectives, the Audit Committee is guided by the Terms of Reference as follows:

Membership

- The Audit Committee shall be appointed by the Board of Directors and shall consist a minimum of three [3] non-executive directors, a majority of whom are independent.
- The Chairman of the Audit Committee shall be approved by the Board and shall be an Independent Non-Executive Director.
- At least one member of the Committee:
 - i. must be a member of the Malaysian Institute of Accountants [MIA]; or
 - ii. if not a member of MIA:
 - he must have at least three years of working experience; and
 - he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the Association of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - iii. fulfils such other requirements as prescribed or approved by the Exchange

20.07.2007



Handing over of Malayan Pharmaceutical's premises

Glenmarie facility will house new R&D centre

The Malayan Pharmaceutical's Glenmarie facility was officially handed over to Chemical Company of Malaysia Berhad (CCM) three months after the Sale & Purchase Agreement between the two parties was signed.

CCM's acquisition of Malayan Pharmaceutical expanded the range of products offered by the Group as well as gave it ownership of the latter's

registered intellectual property and a 60,000 sq.ft three-storey Good Manufacturing Practice pharmaceutical manufacturing facility.

The Glenmarie premises will house Innovax Sdn Bhd, a subsidiary of Chemical Company of Malaysia Berhad, research and development centre, which will also have a pilot manufacturing facility.

10.09.2007

CICM Responsible Care Awards 2006

CCM Chemicals emerge with five Gold and one Merit Awards

Twenty-two companies in the petrochemicals, oleochemicals, agricultural chemicals and general chemicals sub-sectors of the Malaysian chemical industry were short-listed for various categories of the CICM Responsible Care Awards 2006, organised annually by the Chemical Industries Council of Malaysia (CICM) since 2002.

CCM Chemicals Sdn Bhd, a pioneer Responsible Care signatory in Malaysia since 1994, sponsored the CICM Responsible Care Awards 2006. The Company was amongst the winners, emerging with five Gold Awards and one Merit Award. The awards were presented by YB Dato' Seri Azmi Khalid, Minister of Natural Resources and Environment, during the CICM Dinner.

The awards were organised to honour and recognise the efforts and commitment of Responsible Care signatory companies that had made the most progress in implementing the Six Codes of Management Practices. The signatories were audited to determine their level of compliance to the Responsible Care Codes of Management Practices.

Meetings

- Meetings shall be held no less than four [4] times a year.
- The quorum shall be two [2] members, who must be Independent Directors.
- The Group Finance Director, Group Chief Internal Auditor and a representative of the external auditors shall normally attend the meeting.
- Any other Board members, the Group Managing Director and any other representatives as deemed necessary shall be invited to attend the meeting.
- The Committee shall meet with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the listed issuer at least twice a year or whenever is deemed necessary.
- The Secretary to the Committee shall be the Group Company Secretary.

Authority

The Audit Committee is authorised by the Board:

- i. to seek any information relevant to its activities from employees of the Group.
- ii. the necessary resources required to carry out its duties and to obtain independent professional advice it considers necessary.
- iii. full and unlimited access to any information and documents pertaining to the Group.

Responsibilities

- i. To consider and recommend to the Board the nomination, appointment and termination of external auditors, as well as the audit fee;
- ii. To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

- iii. To review the quarterly and year-end financial statements of the Board, focusing particularly on:
 - any change in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- iv. To discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss [in the absence of management where necessary];
- v. To review the external auditor's management letter and management's response;
- vi. To carry out the following, in relation to the internal audit and risk management function of the Group:
 - review and approve the annual audit and risk management plan;
 - review the adequacy of the scope, functions, competency and resources of internal audit and risk management functions and that it has the necessary authority to carry out its work;
 - review the internal audit and risk management reports and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit and risk management function;
 - review and endorse the audit charter which outlines the purpose, authority, and responsibility of the Group Internal Audit;
 - review the annual budget for Group Internal Audit;
 - review any appraisal or assessment of the performance as well as competency of the Group Internal Audit;

- approve any appointment or termination of senior staff members of the Group Internal Audit; and
 - take cognisance of resignations of members of the Group Internal Audit and provide the resigning staff member an opportunity to submit his reasons for resigning.
- vii. To review any related-party transactions that may arise within the Group;
 - viii. To review the major findings of internal investigations and management's response; and
 - ix. To consider other topics as defined by the Board.

Activities during the year

- i. Reviewed and approved the internal audit and risk management plan of the Group.
- ii. Reviewed the status report of internal audit and risk management activities of the Group for the year to ensure that all the planned activities were properly carried out.
- iii. Reviewed the summary of the internal audit and risk assessment reports prepared by Group Internal Audit and monitoring the status of corrective actions taken by the Management to ensure all audit and risk management issues and concerns are adequately resolved on timely basis.
- iv. Reviewed the Group Risk Profile and the management process for identifying, evaluating and managing the significant risks faced by the Group.
- v. Reviewed the management letters, reports and fees of the external auditors.

- vi. Evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment and audit fees.
- vii. Reviewed the quarterly and annual reports of the Group prior to the submission to the Board for consideration and approval.
- viii. Reviewed the quarterly and annual reports of the Group prior to the submission to the Board for consideration and approval.
- ix. Reviewed the related party transactions entered into by the Group and the disclosure of such transactions in the annual report and circular on recurrent related party transactions.

Statement on internal audit function

The Group has an in-house Internal Audit Department whose principal responsibility is to undertake regular and systematic risk based assessments on the operations of the CCM Group of Companies so as to provide reasonable assurance that such internal control systems are adequate and continue to operate effectively in managing the key risks of the Group.

Activities during the year

The Group Internal Audit had conducted various operational audits as well as follow up audit exercises for the CCM Group of Companies in accordance with the Audit Committee approved Audit Plan for 2007. Among the areas covered were Finance, Sales and Marketing, Production, Quality Control, Transport, Warehouse and Distribution, Engineering, Procurement, Good Manufacturing Practices and Plant Operations of CCM Berhad, CCM Fertilizers Sdn Bhd, CCM Chemicals Sdn Bhd, CCM Pharmaceuticals Sdn Bhd, CCM Duopharma Biotech Berhad and also overseas operation offices in Indonesia, Singapore, Thailand and Vietnam.

The total expenditure incurred for Group Internal Audit for the financial year, which amongst others includes departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration etc. is estimated at RM 1.095 million.