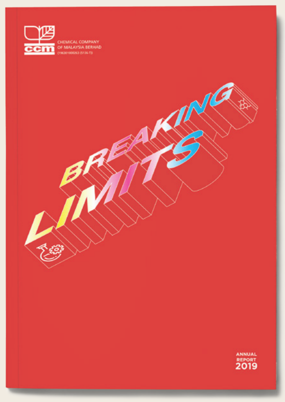
CHEMICAL COMPANY
OF MALAYSIA BERHAD
(196301000263 (5136-T))

BREAKING LIMITS

ANNUAL
REPORT
2019

HELLO!



This cover employs bold and dynamic typography to convey CCM's strategic expansion as we move forward beyond our limits. Elements displayed on the cover include the chemicals and polymers divisions as they remain the key drivers for CCM, and are the areas we continue to focus and expand on.

CONTENTS

BUSINESS OVERVIEW

THE CCM STORY

We are a leading chemicals company in Malaysia with over 50 years of expertise in the industry.

Our core strengths are in chlor-alkali, specialty chemicals and polymers.

We understand innovative sciences, like no other. It is in our DNA to search for groundbreaking solutions to help enhance the lives of the people around us – the customers, the community and the world.

CHEMICALS

Our Chemicals business has built a reputation as a chemical solutions provider involved in the manufacture and trade of a wide variety of chemical products for various industries such as the petrochemical, oleochemical, edible oil, chemicals, electronics, rubber gloves, potable and industrial water treatment, as well as food and pharmaceuticals industries.

Our core competency in the chlor-alkali business has earned a distinction as the preferred chlor-alkali and specialty chemicals company in Malaysia.

Our trading business is represented by leading principals for various basic and specialty chemicals offered to various industries such as the food and pharmaceuticals, industrial health and hygiene, as well as surface coatings and rubber industries.

Our plant in Pasir Gudang is the country's leading manufacturer of *chlorine, caustic soda, hydrochloric acid, sodium hypochlorite and coagulants*. The plant is also accredited with ISO 14001:2004 Accreditation of Chlor Alkali plant, SIRIM Product Certification, Halal Certification, Kosher Certification, ISO 9001 and ISO 18000. Additionally, our Calcium Nitrate plant in Shah Alam produces the chemical coagulant for the Malaysian rubber glove manufacturing industry and is in full compliance of ISO 9001 for the Manufacture & Sale of Calcium Nitrate.

POLYMERS

Through our Polymers business, we offer high performance polymer coating solutions and rubber chemicals solutions that enhance the quality of gloves production. We continue to innovate and we do it to serve our customers better.

Our techno commercial team, works hand in hand with our R&D and other supporting teams to create a sustainable portfolio of product offerings, capable of supporting the global rubber glove industry. Currently, our products brands are the AYCLARON, CYCLARON, NYCLARON, RYCLARON, TYCLARON, KLEENER and BACFREE.

Our plant is located in Bandar Baru Bangi, Selangor. The recent plant expansion of a neighbouring site will help increase the capacity to cater and serve our customers efficiently. The production plant is in full compliance with ISO 9001 and is capable to fulfil all capacity needs from all customers. We adhere to strict production quality control system aimed at assuring backward traceability of all products produced.

VISION

Enhancing Quality of Life

MISSION

To be a responsible company committed to enhancing quality of life by providing sustainable solutions based on innovative sciences

CORE VALUES

PASSION
We inspire and energise everyone to be the best

EXCELLENCE
We consistently deliver outstanding performance through innovative solutions

TEAMWORK
We succeed together because we work as one

INTEGRITY
We conduct ourselves with pride in being honest and ethical

RESPONSIBLE
We honour the trust given to us by being accountable for our actions

RESPECT
We value differences and share intentions as the basis for achieving shared aspirations

CORPORATE INFORMATION

COMPANY SECRETARY
Noor Azwah binti Samsudin
LS 0006071
SSM Practising Certificate No.:
201908002122

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Fax : 03-2612 3999
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Email : info@ccmberhad.com

WORKS
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Bandar Baru Bangi
Pasir Gudang

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Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony,
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(Jalan Semangat) ,
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Website : www.boardroomlimited.com

AUDITORS
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Chartered Accountants
Level 10, KPMG Tower 8
First Avenue, Bandar Utama
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Selangor Darul Ehsan
Tel : 03-7721 3388
Fax : 03-7721 3399

BANKERS
Malayan Banking Berhad
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50050 Kuala Lumpur

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50400 Kuala Lumpur

OCBC Bank (Malaysia) Berhad
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18, Jalan Tun Perak
50050 Kuala Lumpur

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50100 Kuala Lumpur

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MUFG Bank (Malaysia) Berhad
(formerly known as Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad)
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HSBC Bank Malaysia Berhad
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50100 Kuala Lumpur

HSBC Amanah Malaysia Berhad
Bangunan HSBC,
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Jalan Raja Laut
50350 Kuala Lumpur
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STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad

LISTING DATE
24 March 1966

STOCK NAME
CCM

STOCK CODE
2879

STOCK SECTOR
Industrial Products and Services

FINANCIAL YEAR END
31 December

FINANCIAL REVIEW

TURNOVER AND PROFITABILITY (RM'mil)

	2019	2018	2019	2018
	Turnover		**Profit/(Loss) before tax**	
Chemicals	289.2	305.4	26.9	50.6
Polymers	95.8	90.1	16.5	19.2
Intersegment eliminations and others	0.2	0.4	(17.0)	(18.2)
Group	**385.2**	**395.9**	**26.4**	**51.6**

LIQUIDITY (RM'mil)

	2019	2018
Net cash generated from operating activities	76.0	64.6
Net cash (used in)/generated from investing activities	(84.9)	188.3
Net cash used in financing activities	(15.8)	(279.4)
Exchange differences on translation of the financial statements of foreign operations	0.2	2.5
Net decrease in cash and cash equivalents	(24.5)	(24.0)
Cash and cash equivalents at 1 January	136.3	160.3
Cash and cash equivalents at 31 December	**111.8**	**136.3**

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION AS AT 31 DECEMBER (RM'mil)

	2019	2018
Total non-current assets	382.0	284.9
Total current assets	224.4	290.3
Total assets	**606.4**	**575.3**
Financed by:		
Share Capital	81.9	81.9
Reserves	28.8	22.8
Retained earnings	212.1	211.7
Equity attributable to owners of the Company	322.8	316.4
Non-controlling interests	3.3	2.6
Total equity	326.1	319.0
Total non-current liabilities	172.6	167.3
Total current liabilities	107.7	89.0
Total liabilities	280.3	256.3
Total equity and liabilities	**606.4**	**575.3**

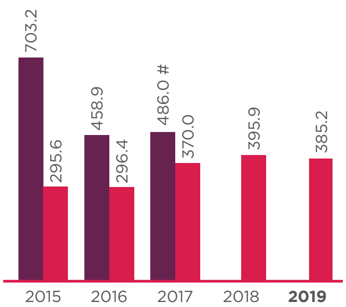
PROFIT OR LOSS FOR THE FINANCIAL YEAR (RM'mil)

	2019	2018
Revenue	385.2	395.9
Profit before tax	26.4	51.6
Tax expense	(10.3)	(20.9)
Profit for the year	**16.1**	**30.7**
Profit attributable to:		
Owners of the Company	15.4	25.7
Non-controlling interests	0.7	5.0
Profit for the year	**16.1**	**30.7**

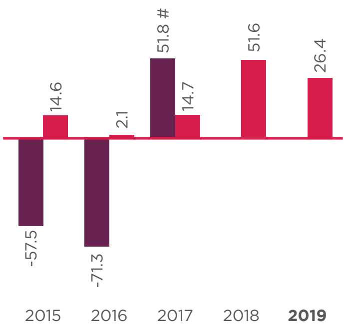
GROUP FINANCIAL RATIOS

	2019	2018
PROFITABILITY (%)		
Turnover growth rate	(2.71)	6.81
Profit before tax as a % of turnover	6.84	13.04
Return on equity	4.93	9.64
LIQUIDITY		
Current Ratio (x)	2.08	3.26
Acid test ratio (x)	1.75	2.58
MARKET RATIOS		
Net Assets per share (RM)	1.92	1.89
Earning per share (sen)	9.17	15.32
Total Dividend per share (sen)	5.00	9.00
PRODUCTIVITY		
Turnover per employee (RM'000)	1,130	1,112
Total Assets per employee (RM'000)	1,778	1,616
Number of employees	341	356

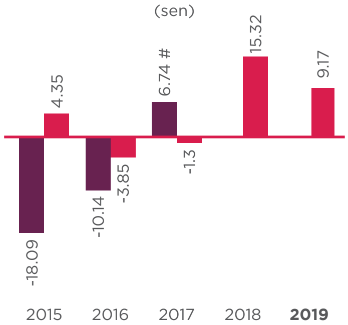
TURNOVER
(RM'mil)



PROFIT BEFORE TAX
(RM'mil)

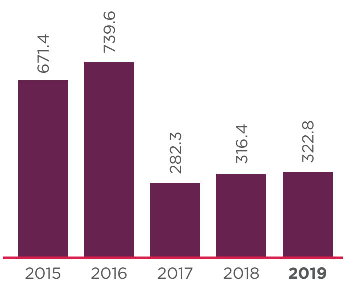


BASIC EARNINGS PER SHARE
(sen)

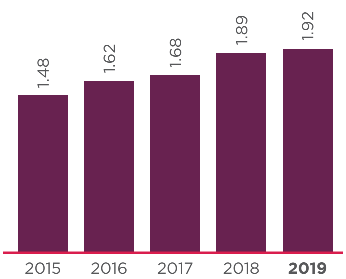


Discontinued* Continuing

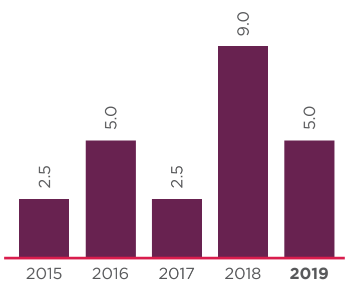
EQUITY ATTRIBUTABLE TO OWNERS
(RM'mil)



NET ASSETS PER SHARE
(RM)

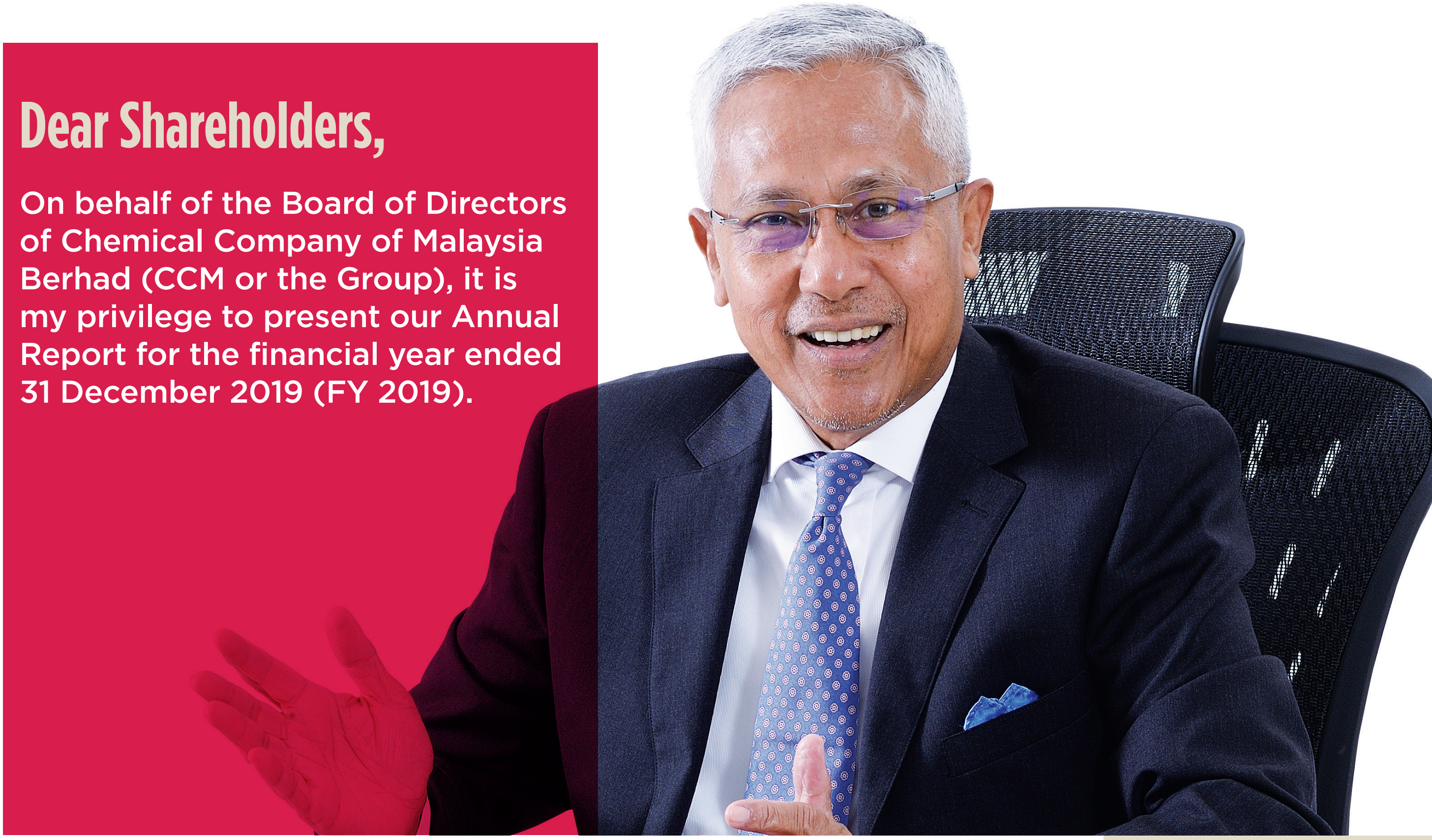


DIVIDEND PER SHARE
(sen)



* Chemical Company of Malaysia Berhad exited the Fertilizers and Pharmaceuticals business in 2016 and 2017 respectively.
# For 2017, the discontinued operation only consists of Pharmaceuticals business.

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors of Chemical Company of Malaysia Berhad (CCM or the Group), it is my privilege to present our Annual Report for the financial year ended 31 December 2019 (FY 2019).

REMAINING RESILIENT IN THE FACE OF ADVERSITY

I am pleased to report that despite being weighed down by sluggish economic conditions, a down cycle in the commodity chemicals market and several unexpected events that hampered our operational plans, the Group demonstrated its resilience, achieved a host of milestones and recorded a modest profit, when compared to FY 2018. Despite the setbacks faced, the numerous milestones achieved have placed us in a position of strength from which we are ready to capitalise on when the commodity chemicals market recovers.

The milestones that we have achieved in FY 2019 include the commissioning of the Calcium Nitrate plant in Shah Alam, the reactivation of our Pasir Gudang Works 1 (PGW1), the setting up for a brand new laboratory for Polymers research and development and securing the contract from Petroliam Nasional Berhad (PETRONAS) for the supply of caustic soda to the Refinery and Petrochemical Integrated Development (RAPID) site in Johor. The details of these projects are further explained in this statement.

For the year in review, our margins eroded as a result of the decline in the average selling prices of chlor-alkali products which was mainly attributable to the general slowdown globally amid economic uncertainty and the ongoing trade dispute between the world's largest economies, the United States of America (US) and China. The sum of all these factors led to a 28% decline in caustic soda prices.

There were also several unexpected events that took place in 2019 that affected the Group's overall performance. Following our success in securing a three-plus-one-year contract from PETRONAS for the supply of caustic soda to its RAPID site at the Pengerang Integrated Complex in Johor, we were all set to commence supply from 15 April 2019 onwards. The successful drawdown of this caustic soda supply would have strengthened the Group's overall revenue streams seeing that caustic soda contributes 40% of CCM's revenue. However, due to a fire incident at the RAPID site on April 2019, our expectation of a caustic soda supply to PETRONAS pursuant to the contract did not materialise as planned and expected to delay further towards the end of 2020.

Pursuant to our capacity expansion drive, our mothballed Pasir Gudang Works 1 (PGW1) facility was supposed to be reactivated by end of Quarter 3 2019. However, due to stringent requirements imposed by the authorities following some environmental incidents that took place in Pasir Gudang vicinity, the plant was only able to commence its testing and commissioning in December 2019. The said delay derailed our targeted operational date thus affecting our objective of optimising margins from the chlor-alkali segment.

Given the challenging market conditions that took place over the financial year, particularly the sharp decline in average selling prices of chlor-alkali products, the CCM Group recorded revenue of RM385.2 million in FY 2019, a marginal decline of 2.7% from the RM395.9 million recorded in the preceding year. Both our Chemicals and Polymers businesses recorded higher volume sold during the financial year as compared to FY 2018. However, despite the higher volume, the Group reported a lower net profit of RM16.1 million in FY 2019, comprising a recurring net profit of RM19.7 million and a non-recurring net expense of RM3.6 million. The Group net profit fell 48% against a net profit of RM30.7 million in FY 2018, comprised of recurring net profit of RM23.8 million and a non-recurring net income of RM6.9 million. More details of the Group's financial performance can be found in the Group Managing Director's Management Discussion and Analysis (MD&A) section of this Annual Report.

WELL POSITIONED FOR FUTURE GROWTH

Despite the multitude of challenges that surfaced in FY 2019, we maintained a steadfast focus throughout the year and laid down strong foundations which have positioned us for future growth. We are ready to seize opportunities when the market recovers. Several elements stand us in good stead.

Primed to Benefit from Capacity Expansion

Back in FY 2018, we began to roll out a host of transformation strategies one of which centred on a RM89.5 million capacity expansion drive. This strategy sought to strengthen our Chemicals and Polymers businesses, enhance operational efficiencies, drive organic growth and improve our competitive advantage.

Following the reactivation of the Chemical segment's PGW1 facility at end 2019, our total chlor-alkali production at our Pasir Gudang plant has increased by an additional 50% (since early 2020) and is set to become CCM's main earnings driver. The Group's Calcium Nitrate (CN) facility in Shah Alam, which is now operational following its relocation and expansion, is well positioned to meet the increasing demand for CN in the country, especially from the burgeoning rubber gloves industry.

The Group's capacity expansion drive also encompasses the Polymers business which is making good headway on the back of increasing global demand for gloves. According to the Malaysian Rubber Glove Manufacturers Association (MARGMA), global demand for gloves is projected to grow between 8%-10% per annum over the next two years. To meet this demand, the Polymers business has been implementing debottlenecking exercise to to increase production volume as well as automating the process to enhance cost efficiencies and improve product quality.

Contract Handover between Petronas & CCM Chemicals for the supply of caustic soda

Our acquisition of a piece of land and a factory in Bangi to relocate the Polymers Division's centralised warehouse and head office also augurs well for us. Works are underway at our Bangi site to house a new Kleeners facility which will produce the cleaning solution used for ceramic formers supplied to glove manufacturers.

The plants that have undergone or are undergoing capacity expansion are expected to begin generating revenue once they become operational (expected by end Q4 2020) and this bodes well for CCM's financial performance over the short to mid-term.

Reaping the Rewards of Strategic Divestment

In March 2019, we fully completed the divestment of several non-core assets as part of the de-gearing exercise that we had embarked on back in FY 2018 to create sustainable growth and long-term value for shareholders. The RM270.9 million in proceeds from the entire exercise was utilised to pare down the Group's existing borrowings, saving the Group RM14.4 million in interest expense for FY 2019. This exercise has transformed the Group into a more agile organisation with a robust balance sheet given the more moderate gearing. In addition, we have considerable cash in hand for strategic growth and expansion.

As of 31 December 2019, our debt to equity ratio was slightly lower, at 0.60 times in comparison to 0.61 times recorded as at 1 January 2019. As at 31 December 2019, the Group's net assets per share grew to RM1.92 from RM1.89 previously.

Leveraging on New Growth Opportunities

Our successful bid in supplying caustic soda to the RAPID project is expected to drive up the Group's caustic soda revenue. The three-plus-one-year contract with PETRONAS calls for the supply of up to a maximum volume of 351,000 metric tonnes of caustic soda for the contract period. The uptake from the said contract with PETRONAS is expected to commence in the second half of 2020. Given that 40% of the Group's revenue comes from the sale of caustic soda, this is set to have a tangible impact on our revenue streams.

The setting up of an advanced new ultra-modern laboratory for polymers research and development (R&D) too augurs well for us as it will enable the Group to capitalise on demand growth in the polymers segment. Today, the Polymers Division is leveraging on the new laboratory to escalate new product development as well as testing and developmental activities beyond the gloves sector. This is part of our on-going efforts to grow our non-gloves product portfolios. Coupled with investments into cutting edge laboratory equipment, this will fast-track our R&D and diversification efforts in new areas of opportunity.

Apart from this, we have plans to diversify our Chemicals and Polymers product portfolio to harness exciting new opportunities to drive new growth and revenue streams.

Tapping Enhanced Cost Efficiencies

Amidst the tough market and operating conditions, CCM has been focusing its efforts on cost optimisation initiatives. To date, we have achieved savings through operational excellence measures that include process automation, energy efficiency projects and procurement controls. These initiatives have helped us manage costs and improve overall business efficiency thus supporting our ambition of becoming a market leader in the Chemicals and Polymers segments.

Going forward, we will continue to embed a culture of excellence in productivity and cost management as well as explore opportunities to diversify our business and product portfolios – all with the aim of creating greater stability for our future earnings. The finer details of the abovementioned developments are spelt out in the MD&A section of this Annual Report.

Following a focus on cost optimisation, we have achieved higher savings through operational excellence measures that include process automation, energy efficiency projects and procurement controls. These have helped us manage costs and improve overall business efficiency thus supporting our ambition of becoming a market leader in the chemicals and polymers businesses.

Official Opening of Calcium Nitrate Plant

Chairman's Statement

FOCUSED ON GOOD SHAREHOLDER VALUE CREATION

As part of our efforts to create value for the Group's shareholders, the Board of Directors and Management of CCM continue to maintain a steadfast focus on the performance of our business, whether it is by way of business growth, profits, return on investment, increased market share or strengthening of our brand equity. Mindful of our shareholders' expectations, we continue to look for ways and means to reward shareholders in a fitting manner at the opportune time.

In respect of FY 2019, we rewarded our shareholders by paying out an interim ordinary dividend of 3.00 sen per ordinary share totalling RM5.0 million to shareholders on 27 December 2019. The Board strongly feels that it should continue to pay dividends in this trying period especially with COVID-19 impacting our livelihood. The initial plan to recommend for final dividend to the shareholders of the company was changed to interim dividend as the Movement Control Order (MCO) has affected our administrative ability to execute the dividend payment. Consequently, the Board has approved a second interim dividend of 2.00 sen per share or approximately RM3.4 million to facilitate the Company to pay the dividend on 19 June 2020 as earlier announced to Bursa Malaysia. Altogether, these dividend payments represent a pay-out ratio of approximately 54.5% of our profit after tax and minority interest (PATAMI) and will amount to a total dividend pay-out of RM8.4 million for FY 2019 (FY 2018: RM15.1 million).

The Group is also constantly endeavouring to create greater shareholder value through non-tangible means. FY 2019 saw us continuing to earn a host of awards and accolades for demonstrating excellence on several fronts. CCM was hailed as having "The Most Sustainable Practices in Environmental Management" in the Chemical category for Malaysia at the International Finance Awards 2019 Asia Pacific event. CCM was also awarded with The BrandLaureate SMEs Strategic Business Partners Awards 2018-2019 at the BrandLaureate SMEs BestBrands Awards.

EARNINGS PER SHARE

9.17 sen

DIVIDEND PER SHARE

5.00 sen

CCM at BrandLaureate SMEs Strategic Business Partner Award 2018/2019

UPHOLDING RESPONSIBLE CORPORATE PRACTICES

The Board of CCM acknowledges that good governance translates into good business. To this end we remain fully committed to upholding and implementing strong standards of corporate governance as well as robust risk management and internal control measures throughout the Group to ensure the sustainable, long-term growth of our businesses, bolster investor confidence, protect our corporate reputation and sustain continued shareholder value creation. The various Board committees, namely the Audit and Compliance Committee (ACC), Finance and Investment Committee (FIC), Nomination and Remuneration Committee (NRC), as well as Risk Management Committee (RMC) are tasked with carrying out their various functions in support of the Board's mandate.

The Board acknowledges that the architecture and implementation of the Group's governance framework are integral to the effective development of CCM's strategy and business plan, the monitoring of our performance, as well as the management of our risks. To this end, the Board has adopted several measures to strengthen the Group's governance framework. The Board, being the pivot of the Group's governance culture, is continuously endeavouring to set the "tone at the top" and cascade ethical values and standards down across every level of CCM. The Board-approved Code of Conduct (Code) formalises and mandates that our employees and those affected by the Code uphold the ethical values and standards expected of them. The Code is based upon and supplements CCM's vision, mission and core values as well as embodies several of the principles contained in various policies adopted by CCM. To promote ethical conduct, a Whistleblowing Policy has also been established to allow employees and other stakeholders to raise legitimate concerns without fear of retaliation. The Board has also reviewed and made changes to the relevant policies relating to anti-bribery and corruption matters in anticipation of the implementation of Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

Diversity within the CCM Board continues to be prioritised to ensure that the mix and profiles of the Board members in terms of age, ethnicity and gender, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. This has been codified in the Board Selection and Nomination Procedure. The Board has stipulated that at least 30% of Board members comprise women directors at any one time. For FY 2019, some 40% of the Board, including the Group Managing Director, are women Directors, beyond the criteria outlined in the Board Charter and the Malaysian Code of Corporate Governance.

The Board recognises that independence is the cornerstone of a high-performing Board and that Independent Directors will bring the element of detached impartiality to the oversight function of the Board. Their presence allows the Board to apply heightened professionalism and to challenge Management in an unbiased manner while preventing dominance and complacency in the Boardroom. To this end, we have met the requirement of having at least 50% Independent Directors on the Board with five (5) of our nine (9) Directors comprising Independent Non-Executive Directors. In addition, the ACC today comprises wholly of Independent Directors, while the majority of the RMC and NRC are Independent Directors.

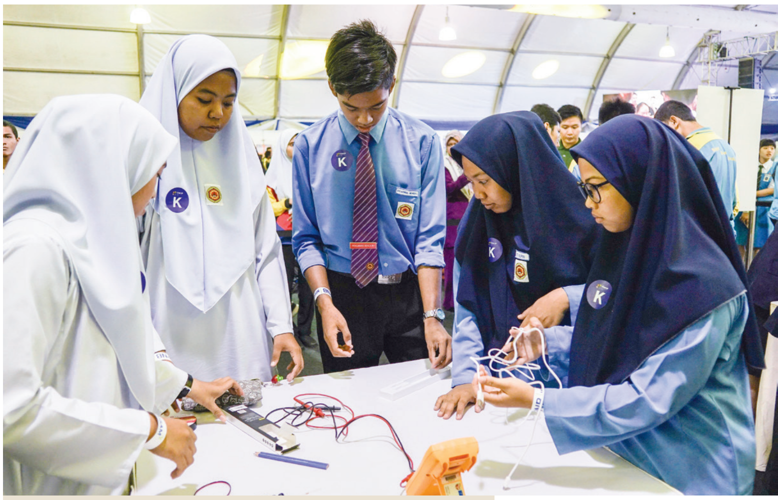
To ensure that the element of independence is reinforced, Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah has been designated as the Senior Independent Director. In this role, he serves as a sounding board to the Chairman and acts as an intermediary for other Directors when necessary. The presence of a Senior Independent Director provides an additional channel for Independent Directors and other Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to raise in open forum.

More details of these measures among others can be found in the Corporate Governance Overview Statement on pages 68 to 89 of this Annual Report.

The Board is continually reviewing the Group's prevailing risk management framework and ensuring that it aligns with the strategic direction of the Group. Now that we have streamlined our businesses and are focused on the Chemicals and Polymers segments as our principal activities, the Group's risk management framework has had to adapt to these changes. To facilitate this process, we are working on deploying a more data-driven risk monitoring and reporting mechanism which can support and provide more granular insights for fully informed decision-making. By tapping advanced data analytics capabilities, we expect to have greater visibility into the challenges associated with managing key operational, regulatory and supply chain risks.

To reinforce top-down and bottom-up risk management communications, the Board and the Risk Management Committee are proactively engaging the Executive Risk Management Committee as well as the Group Risk, Integrity and Assurance Department in regular dialogue. As we move forward in these areas, we are making good progress by way of tightening the risk management framework and intensifying the risk dialogue at all levels.

Today, the agenda of sustainability is at the heart of CCM's business strategy. The Board acknowledges that we have a responsibility to secure the Group's future and to ensure sustainable value creation for all our stakeholders. As a conscientious corporate citizen, we are sincerely committed to balancing our economic performance with responsible environmental and social considerations to ensure we deliver sustainable results.



CCM STEM UP Challenge at Sungai Petani, Kedah

We have undertaken several programmes to enrich and elevate the wellbeing of communities. Among the flagship community programmes that we are supporting are the CCM PINTAR programme and the CCM STEM UP Challenge. From the time of our involvement in the CCM PINTAR initiative (2006-2019), we have adopted and supported 15 primary schools nationwide that were located adjacent to our manufacturing facilities and premises. Under the CCM STEM UP Challenge, we are encouraging secondary students to take up STEM (Science, Technology, Engineering and Mathematics) courses in order to address the declining pool of talent in high-level scientific and technological fields. In FY 2019, we expanded the programme through the CCM STEM UP X UTP initiative, a collaboration with Universiti Teknologi PETRONAS.

As a strong advocate of greater safety within the chemical industry, we are committed to ensuring a safer environment for our employees, customers and the communities that we operate in. Our subsidiary, CCM Chemicals Sdn Bhd, has trained professional Chemical Emergency Service (CES) teams that not only provide advice on safety measures and the remedial actions to be taken when a chemical emergency occurs, but are ready to swing into action at a moment's notice. Today, the CES teams are proactively collaborating with parties such as the Fire and Rescue Department Malaysia and the Pasir Gudang Emergency Mutual Aid (PAGEMA) team to respond to emergency situations as and when required. We continue to strengthen our capabilities in these areas as part of our efforts to keep communities safe.

I am pleased to inform that as a result of effective sustainability practices, CCM has been included as a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index for the first year effective June 2019. This globally-recognised index measures and acknowledges companies across the world who have been demonstrating strong Environmental, Social and Governance (ESG) practices. We are proud to be included among the companies listed on the F4GBM Index. Not only does this inclusion accord us international recognition for our sustainability practices, it also reinforces our position as a progressive and ethical company benchmarked against globally recognised standards.

This year, we are publishing our sixth standalone Sustainability Report which underscores our practices and achievements on the Economic, Environmental, and Social or EES fronts. This year's Sustainability Report is also the second we have produced that is line with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. A summary of our EES achievements can be found on pages 30 to 39 of this Annual Report. We intend to continue making good advances on the sustainability front as we implement tangible EES practices and entrench ourselves as a progressive and ethical company.

With a strong balance sheet and well-run ultra-modern and high-capacity facilities, plus a strong focus on diversification and new growth areas, CCM is all set to steadfastly grow its Chemicals and Polymers Divisions. Despite the current economic challenges and a highly competitive business landscape, we are optimistic that we will regain our momentum to achieve long-term sustainable growth for our core businesses. Moving forward, the Board is cautiously optimistic that CCM will turn in a steadfast performance in FY 2020. However, given the downside economic risks are now more prevalent due to the severity of the impact of the COVID-19 pandemic to the global economy, we expect our performance to be weakened.

IN APPRECIATION

On behalf of the Board, I wish to convey my deepest gratitude to our shareholders, customers, business partners and various stakeholders for their continuous support and belief in CCM.

I also wish to extend my utmost gratitude to CCM's dedicated Management and staff for their unwavering loyalty, hard work and commitment to upholding excellence in all that they do. My sincere thanks also to my colleagues on the Board for their insights and for guiding the Group through both a challenging and opportunistic year.

In FY 2019, there were multiple changes made to the composition of the Board with many people leaving and many joining us. I wish to convey my sincere appreciation to our Independent Non-Executive Directors, Dr. Leong Chik Weng who retired in May 2019 and En. Khalid Bin Sufat together with Dato' Seri Ir. Dr. Zaini Bin Ujang who resigned in October 2019 and January 2020 respectively. My deep appreciation also goes to our Non-Independent Non-Executive Directors, Datin Paduka Kartini Binti Hj Abdul Manaf that retired in May 2019 and Dato' Azmi Bin Mohd Ali who resigned in October 2019. Additionally, our Chief Financial Officer, En. Mohd Junaidy Bin Ab-Mutalib, resigned in May 2019. We sincerely thank each and every one of these individuals for their worthy contributions to the Group and wish them every success in their endeavours.

Please join me in welcoming our four new Independent Non-Executive Directors, namely Datuk Anuar bin Ahmad and YM Raja Azura Binti Raja Mahayuddin who both joined us in June 2019, as well as En. Hasman Yusri Bin Yusoff and Dr. Leong Yuen Yoong who both joined us in September 2019. We also welcome on board En. Zainal Abidin Bin Jamal who joined us as a Non-Independent Non-Executive Director in September 2019. We certainly look forward to their insights and contributions.

I also wish to call upon all of our stakeholders to lend us their tireless and continuous support. On our part, we at CCM will continue to work hard to lay down the necessary foundation for our future and sustainable growth for the benefit of all. Thank you.

Dato' Idris Bin Kechot
Chairman

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

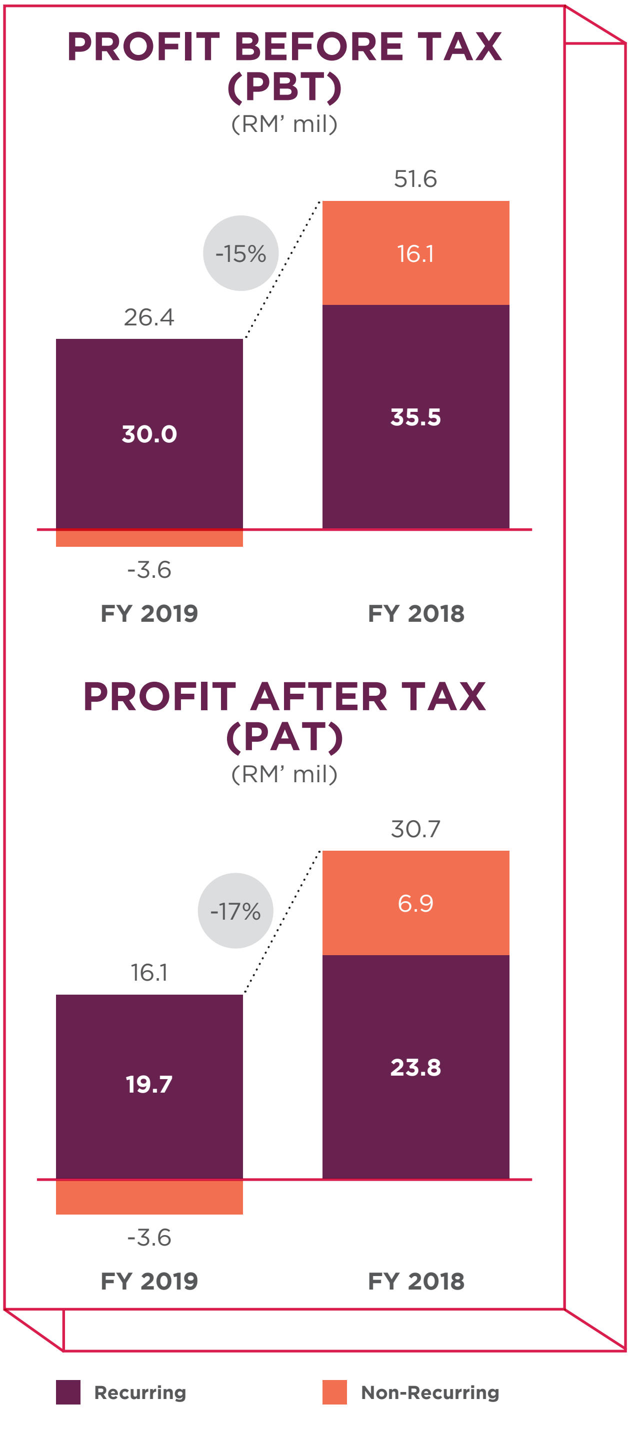
Dear Shareholders,

I am pleased to present the financial and operational performance of Chemical Company of Malaysia Berhad (CCM or the Group) for the financial year ended 31 December 2019 (FY 2019).

The year in review was a mixed one for CCM. It was characterised by numerous achievements on several fronts and lower-than-expected results stemming from lacklustre economic conditions and several unforeseen events. Nevertheless, I am pleased to share that despite the host of market and operational challenges that affected our FY 2019 results, CCM maintained a resilient performance, albeit with a lower net financial return.

OUR FINANCIAL PERFORMANCE IN FY 2019

In FY 2019, the Group registered revenue of RM385.2 million, a marginal 2.7% decrease over the preceding year's revenue of RM395.9 million. This decrease was attributable to a 5.3% decline in revenue generated by the Chemicals Division. Nonetheless, this was cushioned by 6% rise in revenue from the Polymers Division. The Group's profit before tax (PBT) declined by some 48.8% to RM26.4 million in FY 2019 from RM51.6 million previously. Included in the PBT and PAT were several non-recurring items which are summarised at the following page:



For the year under review, the Group registered recurring profit before tax of RM30.0 million as compared to RM35.5 million in FY 2018. Net recurring profit after tax for FY 2019 stood at RM19.7 million as compared to RM23.8 million for FY 2018. The decrease of RM5.5 million (or 15%) and RM4.1 million (or 17%) respectively for PBT and PAT was attributable mainly due to margin squeezes resulting from the fall in the average chlor-alkali product selling prices by up to 28% in comparison to the preceding year. The decline in average selling prices was mainly due to the disruption in demand in the region as a result of the ongoing US-China trade dispute as well as softer global economic growth. The margin squeeze however was cushioned by lower finance costs amounting to RM14.4 million as a result of the completion of the Group's de-gearing exercise. This resulted in a return on shareholders' equity (ROE) of 4.9% as at 31 December 2019.

For FY 2019, CCM's basic earnings per share (EPS) stood at 9.17 sen against EPS of 15.32 sen for FY 2018. In respect of FY 2019, CCM paid out a single-tier interim dividend of 3.0 sen per share amounting to RM5.0 million. The Board has also approved a second interim dividend of 2.00 sen per ordinary share amounting a dividend pay-out of approximately RM3.4 million to be paid on 19 June 2020. Altogether, these dividend payments represent a pay-out ratio of 54.5% of our Profit After Tax and Minority Interest (PATAMI) and will amount to a total dividend pay-out of RM8.4 million or 5.0 sen per share in respect of FY 2019 (FY 2018: RM15.1 million or 9.0 sen per share).

* Non-recurring profit in relates to gain/loss from the disposal of land and recovery from the fertilisers business (over-accruals, debtors, scrap sales); Non-recurring profit in FY 2019 relates to the net gain on the disposal of the land in Nilai and impairments made on a debtor (which had undergone liquidation), and underutilised assets.

Group Managing Director's Management Discussion and Analysis

Financial Position and Liquidity

As at 31 December 2019, the Group's total assets increased by 5.4% to RM606.4 million from RM575.3 million as at 31 December 2018. The growth of our asset portfolio came on the back of the expansion of our production capacity mainly that relating to the Chemicals Division. As of 31 December 2019, our debt to equity ratio was slightly lower at 0.60 times in comparison to 0.61 times as at 31 December 2018.

As at 31 December 2019, our cash and cash equivalents stood at RM111.8 million in comparison to RM136.3 million the year before. Our efforts to continuously improve our working capital management cycle has translated into an improvement in the cash generated from our operations i.e. an increase to RM76 million in FY 2019 from RM64.6 million in FY 2018. During the year, we mainly deployed cash for capital expenditure, namely for capacity expansion at our Pasir Gudang Works 1 and Calcium Nitrate plants, as well as the new R&D laboratory for the Polymers Division. Over the course of FY 2019, we also utilised RM38.5 million of our cash to repay term loans, of which RM21.5 million of the cash was from the sale proceeds received from the disposal of our land in Nilai.

PERFORMANCE BY BUSINESSES

CHEMICALS DIVISION

Market Review

Throughout FY 2019, CCM Chemicals Sdn Bhd or CCMC's chlor-alkali business continued to contend with caustic soda price volatility. This was primarily the result of unbalanced trade dynamics between Southeast Asia and Northeast Asia (comprising markets such as Japan, China, Taiwan and Korea – all major exporters of caustic soda). The effects of the US-China trade war, sluggish global economic growth and several other factors contributed to the year's fluctuating prices.

The year 2019 was a volatile year for caustic soda prices with the price of caustic soda kicking off at some USD346 per dry metric tonne at the start of the year. Several major events took place in the first half of the year that caused this price volatility. This included a supply disruption in China due to a chemical explosion and a temporary shutdown at two major alumina facilities in June due to a mud spill incident. By the second half of 2019, caustic soda prices had eased downwards as integrated chlor-alkali vinyl producers maintained a high run rate to take advantage of the higher vinyl netback thus creating surplus inventory in the market. By the year's end, prices had eased to USD310 per dry metric tonne. All in all, these led to the average selling price of caustic soda declining by some 28% in 2019. Seeing that caustic soda contributes more than 50% of Division's revenue, the price volatility and softening of the prices had impacted our 2019 performance.

Although the margins of industry players dropped from an average of 30% to below 20% over the course of the year, Pasir Gudang production achieved a 9.5% increased beyond name-plate capacity with higher efficiency. The higher capacity saw us increasing our market share for caustic soda supported by traded caustic soda which increased by 84% to 88,300 metric tonnes (MT) in comparison to 48,114 MT in FY 2018.

Today, the Division's chlor-alkali business customer base is well diversified. We supply to diverse industries including the water supply and water treatment, food, cleaning, plastic and soap, as well as steel product industries. This diversification accords enhanced stability to the chlor-alkali business in the face of economic uncertainty and price volatility.

Performance Review

In FY 2019, the Chemicals Division registered revenue of RM289.2 million, some 5.3% lower than revenue of RM305.4 million registered in the preceding year. The Division's PBT fell by 46.8% to RM26.9 million, as compared to a PBT of RM50.6 million previously. The lower revenue and PBT was attributable to the dip in global caustic soda prices despite selling higher volume. The volume for the Chemical business came in primarily from the caustic soda trading business whereby we kept a close watch on and took advantage of the price volatility. The volume traded also encompassed some 15,000 MT of caustic soda supplied to PETRONAS' RAPID project before the commencement of the three-plus-one-year contract.

Operational Review

To meet growing market demand for chlor-alkali products, the Chemicals Division embarked on a capacity expansion exercise in FY 2018. This involved the reactivation of our Pasir Gudang Works 1 or PGW1 chlor-alkali manufacturing facility; the relocation and expansion of a new Calcium Nitrate (CN) plant in Shah Alam; and the expansion of the production capacity at our Coagulant plant by adding a new polyaluminium chloride production line. All these plants that have undergone capacity expansion are already generating revenue which bodes well for the Group's performance over the short to mid-term. They also underscore the Group's strategy to increase our market share by increasing the output of our products, especially in the face of growing demand.

Initially scheduled to be commissioned in the third quarter of 2019, the PGW1 facility only began its testing and commissioning in December 2019 due to some operational setbacks beyond our control. Following a RM76.5 million investment, the PGW1 facility boasts the latest chlor-alkali manufacturing technology including an energy-saving membrane process which produces high-grade chlor-alkali products in a safer and more environmentally friendly manner. Today, PGW1's total chlor-alkali capacity has increased to 60,000 ECUs (Electrochemical Units) per annum. It is producing 135,000 tonnes as compared to 90,000 tonnes of liquid caustic soda previously, thereby cementing its position as CCM's main earnings driver.

The Chemicals Division is also implementing various improvement programmes to derive more operational savings at the plant. Given its current extended capacity, the Chemicals Division is well primed to seize exciting chlor-alkali market opportunities locally and regionally. It is also ideally suited to capture growing demand from various domestic industries that are currently importing their chlor-alkali supplies.

Meanwhile, the new CN plant which was commissioned in April 2019 and obtained its license in August 2019 began running at higher capacity than the old plant and is producing better quality calcium nitrate for the rubber glove industry. With a production capacity of 22,800 MT/per annum, it is capitalising on the current uptrend in calcium nitrate demand from rubber gloves players. The plant is tapping a specially designed filter system instead of a traditional precipitation process to produce high quality calcium nitrate. This new process by filter press essentially means that, even with a lower capital expenditure (due to a smaller footprint), the plant is now capable of producing higher output per production line. The plant also boasts an improved drying efficiency rate by as much as 20%. To meet the regulatory requirements, we have put in place a more effective affluent treatment system for the plant.

Following the Coagulant plant's integration of an additional polyaluminium chloride or PAC production line in the form of a third glass-lined reactor, production capacity has expanded by 30%. PAC is widely used as the main coagulant (thickening agent) in potable water treatment in Malaysia. With the increased output from the PAC line, our coagulant business is well suited to fulfil the pent-up demand for coagulant from a growing population and demand for treated water.

Over the course of FY 2019, the Chemical Division's Pasir Gudang Chlor Alkali production exceeded name-plate (design) capacity to meet market demand. Our other production facilities namely the Coagulant and Calcium Nitrate plants both have an overall utilisation rate of above 80% at all times.

Group Managing Director's Management Discussion and Analysis

As we focus our efforts on growing our chlor-alkali business in Malaysia through increasing our chlor-alkali production capacity with PGW1, we anticipate an increase in power consumption. Currently approximately 60% of our variable cost stems from energy costs. To mitigate the ever increasing energy costs, we will be investing some RM27.9 million in a 7.8 MW co-generation (COGEN) plant. COGEN or Combined Heat and Power is the simultaneous production of electricity and usable thermal energy from a single fuel source which is significantly more efficient and cost effective. It supports the national agenda of achieving 8% savings from energy efficiency by 2025. The heat that is created from COGEN is captured and recycled to provide hot water or steam for other uses such as heating or cooling of production facilities. The project will also reduce greenhouse gas emissions such as carbon dioxide (CO_2) and other air pollutants like nitrogen oxide and sulphur dioxide, thereby producing a cleaner environment.

Even as we look forward to reap the benefits of energy savings from the COGEN initiative in 2021, we are currently utilising the latest zero-gap electrolyser technology which allows us to save a further 3%-5% in energy costs. We have also turned to consuming the excess hydrogen from our plants as fuel which has also led to reduced energy costs. In FY 2019, we saved just over RM1 million from the latter initiative.

Moving Forward

As we move forward into FY 2020, we expect to reap the benefits of the caustic soda supply contract to PETRONAS' RAPID facilities. We plan to leverage on this contract to maximise the Group's trading opportunities. Currently, Malaysia produces over 300,000 MT of caustic soda per annum with CCM contributing some 120,000 MT to 144,000 MT per annum towards this total. Although there is rising local market demand for caustic soda, the players in the domestic market cannot fulfil this demand. As such there is a need to import caustic soda. We are in a position to do this in an effective manner given our experience and vast network of connections. In FY 2019, to meet growing market demand for chlor-alkali products, we not only ran our local chlor-alkali production at almost full capacity but also imported 90,000 MT of caustic soda from Japan, Indonesia and China for sale to domestic customers. Today, we hold an estimated 40% share of the caustic soda market and plan to increase to this to over 50% in the near future.

BENEFITS OF CCM'S NEW RM27.9 MIL COGEN PLANT

1. MITIGATE ENERGY COSTS

- Co-generation or COGEN will enable us to simultaneously produce electricity and usable thermal energy from a single fuel source. This is significantly more efficient and cost effective and will help mitigate some 60% of the Group's variable costs which are energy costs.
- It also supports the national agenda of achieving 8% savings from energy efficiency by 2025.

2. REDUCE CARBON FOOTPRINT

- COGEN will help reduce greenhouse gas emissions such as carbon dioxide (CO_2) and other air pollutants like nitrogen oxide and sulphur dioxide, thereby leading to a cleaner environment.

3. COMPLEMENT RECYCLING EFFORTS

- The heat created from COGEN can be captured and recycled to provide hot water or steam for other uses such as the heating or cooling of production facilities.

To this end, we have set our sights on catering to the core industries such as the oleochemicals, petrochemicals, water treatment plant and rubber glove industries. As manufacturers from China begin to look increasingly at Malaysia to set up their base of operations, they will require caustic soda as a fundamental ingredient in their production process. This too augurs well for us.

With PGW1 running at full capacity by early 2021, we will continue to reinforce CCM's position as a reputable supplier to industrial customers in the Southern region by leveraging on the proximity and convenience that the plant offers its southern customers. On the regional front, we are looking to grow our chlor-alkali products volume for Singapore as well as chlorine volumes for Indonesia and Brunei.

Within Indonesia, we have expanded to Surabaya and are exploring chlorine and calcium nitrate opportunities in Medan. Last year, we undertook the sale of some 1,500 MT of chlorine to Indonesia and are confident of making bigger inroads there.

We will intensify efforts to diversify our product portfolio by exploring opportunities on the chlorine or caustic soda derivatives fronts. On the trading side, we have some new product offerings by way of soda ash, caustic flakes and others which are the common commodity chemicals used by our current customers. We are looking to add value to our customers by offering them a wider range of products. At the same time, we will grow our share in the calcium nitrate segment so that rubber glove players look increasingly to us to supply their needs.

Group Managing Director's Management Discussion and Analysis

With the softening of the global economy as a result of the ongoing US-China trade dispute, the weakening oil prices and the prolonged impact of the COVID-19 pandemic, we expect chlor-alkali prices to remain bearish and put a downward pressure on margins. We plan to cushion this by maximising our production and being cost efficient. At the same time, under our portfolio diversification strategy we will continue to explore strategic ventures by way of chlorine derivatives and specialised solutions. In line with our growth aspirations, we will continue to be on the lookout for attractive investment opportunities domestically and regionally to complement our existing business portfolio.

POLYMERS DIVISION

Market Review

The Polymers Division's products are used by local glove manufacturers and are also exported to other glove producing countries including Thailand, Indonesia and China. In FY 2019, the distribution ratio of our products for the domestic and export markets stood at 66% and 34% respectively. This lines up with the rubber glove supply profile as per the Malaysian Rubber Glove Manufacturers Association or MARGMA's estimate that approximately 63% of world glove demand is supplied by Malaysian gloves manufacturers followed by glove manufacturers in Thailand (21%) and Indonesia (3%).

In 2019, global demand for gloves was slightly lower than MARGMA's growth forecast of between 8% and 10% per annum over the next two years (with a projected demand of approximately 300 billion pieces of gloves per annum). The lower demand was attributable to US-China trade tensions and lower demand for gloves from the developing countries.

Meanwhile, industry players in Malaysia are having to contend with a host of ongoing and new challenges. These include the weakening of the Malaysian ringgit against major foreign currencies and the impact of currency volatility on raw material costs. Industry players also face the issue of not being able to pass cost increments to their customers due to intense competition. Moreover, they are coming up against industry newcomers who are able to offer lower cost glove variants. The Division is in a good position to face these challenges given our strong R&D capabilities which are enabling us to fast-track new product development as well as undertake testing and developmental activities outside of the gloves sector.

On top of this, industry players face ever-evolving and demanding application standards and product performance requirements where a huge investment is needed to nurture the right talent, as well as to set up proper facilities that will ensure an effective product introduction cycle and customer acceptance. Stricter regulatory requirements by the DOE are making compliance activities more complex.

On the other side of the coin, glove manufacturers are constantly embarking on automation and machinery upgrades to strengthen their productivity and efficiency. This in turn requires industry players to adapt to changes in production processes, manpower requirements, as well as the raw materials involved in the glove manufacturing process. At the same time, glove manufacturers themselves are beginning to pose a threat as they backward-integrate along the supply chain and make inroads into areas traditionally held by polymers players.

Performance Review

In FY 2019, in line with the growing demand for rubber gloves, the Polymers Division recorded revenue of RM95.8 million, some 6% higher than revenue of RM90.1 million in FY 2018. However, PBT marginally declined to RM16.5 million from RM19.2 million previously. The decrease in PBT was primarily due to RM1.7 million in impairments for bad debt for a long-time customer whose business underwent liquidation as well as an increase in depreciation costs on its new facility in Bangi.

Operational Review

Back in 2018, to maintain its market share, improve its competitive edge and meet growing demand from rubber gloves manufacturers, the Polymers Division embarked on a debottlenecking exercise. This exercise did much to enhance the plant's work flow and increase its capacity by an additional 10% from 18,000 MT/pa to 19,800 MT/pa. In FY 2019, the plants ran at almost full capacity to meet market demand for both polymer coatings and cleaners production.

Realising that there was still not enough capacity to meet the ever increasing market demand for polymers products, we went on to invest RM20.8 million in a parcel of land and a factory at Bangi to accommodate the relocation of the Division's

CCM Polymers new facility at Bangi

centralised warehouse and support office. The relocation exercise was completed in February 2019 and today the centralised location is enabling more effective customer support through better materials management and raw materials coordination.

A new production capacity is currently being added at the new centralised site which will double the cleaners production capacity from 9,000 MT/pa to 18,000 MT/pa. Ongoing efforts are also underway to improve the production process by leveraging on automation to enhance cost efficiencies and product quality. This will certainly add value to our business and give us a competitive edge over other players. Works on the Kleeners facility is scheduled for completion by the fourth quarter of 2020. Apart from that, the Polymers Division is already embarking on tapping the government's Net Energy Metering or NEM Scheme under the Ministry of Energy and Natural Resources which will see us taking advantage of solar energy solutions for our own consumption.

September 2019 saw the launch of an advanced new ultra-modern laboratory for Polymers R&D which will enable the Division to intensify new product development as well as testing and developmental activities for industries beyond the gloves sector. We have also made an investment in cutting edge lab equipment which will help us fast-track our R&D efforts.

With demand growth for polymers on the rise, new players continue to be drawn to an already highly-competitive polymers market. To mitigate the effects of this, the Polymers team has introduced several innovative and cost-effective products with advanced features into the market to diversify its product offering. These products also feature the latest technology, are user-friendly in the glove manufacturing process, and have a reduced impact on the environment. The Polymers Division is continually working to ensure that all its product development processes are in line with the stringent regulatory and environmental requirements of each individual country that it supplies. It is the Group's vision that, one day, our Polymers business will become a one-stop centre for all glove manufacturing needs.

Moving Forward

According to MARGMA, global demand for gloves is projected to expand at a healthy annual growth rate (CAGR) of between 8%-10% per annum over the next few years. This will fuel glove manufacturers' demand for polymer coatings for glove production, particularly powder-free gloves. This is a huge opportunity for CCM to grow our market share in the glove manufacturing industry despite the intensified competition from other polymers suppliers and raw materials cost increases.

Moving forward, global demand for gloves is expected to remain robust. In February 2020, MARGMA announced that demand for rubber gloves had surged 100% globally due to countries implementing defensive and preventive strategies to avoid cross contamination from the COVID-19 outbreak. Depending on the trajectory of the global pandemic, MARGMA anticipates international demand could reach 345 billion pieces in 2020, compared to 298 billion in 2019. Of this total, Malaysia is aiming to export around 225 billion pieces of gloves. The robust demand for gloves is expected to be sustained by several worldwide trends including more stringent healthcare regulations, increasing healthcare spending, growing usage of gloves in emerging countries, and increased usage of gloves in other segments such as the industrial, food processing and cleanroom segments, among others.

Albeit the expectation of a robust demand in 2020, the Polymers Division remains cautious of the impact of foreign currency fluctuations to its margin, and the competition from new market entrants to the market space.

With that in mind and to stay ahead of the competition, the Division will focus its efforts on strengthening its product development capabilities and undertaking capacity expansion. Ongoing efforts are also in place to improve the production process including leveraging on automation with the objective of enhancing cost efficiency and quality improvement.

In line with the Group's commitment to become a world class player in the Polymers market, the Polymers Division will continue to prioritise R&D investments over the next few years. By developing new product portfolios, processes and services, we are looking to augment our business value and spur sustainable growth for the Group. We will also leverage on advanced equipment and expanded resources as product innovation is the key to increasing yields, improving our long-term sustainability and staying relevant to our markets. Our efforts will entail the development of innovative products that are targeted to meet performance requirement and regulations standard as well as introduce variances which are effective and efficient during application. We will also explore new technologies and the use of advanced materials to achieve the desired properties.

We will also continue to collaborate with private and public universities in Malaysia to solidify the Polymers business' technical knowledge and enhance its application testing facility to generate sustainable growth. Today, we are working closely with educational institutions such as Monash University, Universiti Putra Malaysia and Universiti Malaysia Terengganu, as well as exploring other opportunities for smart partnerships and collaboration.

In all that we do, we want to be seen as an innovative partner. We plan to actively seek out and pursue strategic collaborations and partnerships with third parties including our customers, suppliers or research institutes. The aim here is to create sustainable growth, develop technical knowledge, and enhance our application testing facility. Forefront technology or new know-how discovered in a laboratory environment has much potential and can be converted into industrial application. We will also focus on talent development to ensure the right people with the right skills are in place for the long-term.

The Polymers Division intends to maintain its position as one of the leading players in the polymers coating business. Based on our own research, the Division is currently one of the Top-3 players supplying coating solutions to the glove player in the country. Moving forward, the Division will continue to focus on ramping up production output via its expansion project to support the growth in market demand. The Division will also undertake automated production

DEBOTTLENECKING LEADS TO BETTER OPERATIONAL EFFICIENCIES

Following a debottlenecking exercise conducted by the Polymers Division at its Bangi manufacturing plant, the plant's workflow has improved and its capacity has increased by an additional 10% from 18,000 MT/pa to 19,800 MT/pa.

processes in a bid to improve product quality and consistency.

BUSINESS RISKS

As CCM ventures forth amidst challenging market and operating conditions, we are aware of certain risks that the Group may be exposed to which could influence our operational and financial performance. For details of these key risks as well as the respective risk mitigation strategies, please turn to pages 96 to 99 and 102 to 107 respectively for the Report of the Risk Management Committee and Statement on Risk Management and Internal Control.

OUTLOOK AND PROSPECTS

FY 2019 was the year in which CCM made good progress in executing its strategies. Today, CCM is well positioned to further strengthen its Chemicals and Polymers businesses as well as to create long-term value for its customers and shareholders. Barring any unforeseen circumstances, we are now ready to move on to the next chapter of our journey as we explore new opportunities to deliver innovative solutions to our existing and prospective customers.

However, even as we venture forth, we will do so in a measured and prudent manner considering the highly challenging operating environment or what is being been termed the 'new normal' that is before us.

Moving forward, CCM will be stepping into a tough environment characterised by an imminent global recession, oil price slump and the impact of the prolonged COVID-19 pandemic and Movement Control Order (MCO) on the domestic economy.

The outlook for Malaysia is a rather pessimistic one with Bank Negara Malaysia or BNM's official forecast pointing towards economic growth of between -2% to 0.5% in 2020 with output expected to decline across all sectors, except for the services sector. Economic growth is also expected to be weighed down by output loss from the impact of COVID-19, the MCO, as well as the disruption in commodity supply.

On a more optimistic note, the central bank is confident that the Malaysian economy can weather the current challenges and emerge even stronger. Apart from the broad range of policy instruments that BNM has at its disposal to ensure monetary and financial stability, several other catalysts are being tapped to support Malaysia's economic growth in 2020. These include a RM250 billion economic stimulus package among other packages, BNM's move to cut the overnight policy rate, the continued progress of public projects, as well as higher public sector expenditure. The government's stimulus package alone is expected to add 2.8 percentage points to 2020's GDP growth while the continuation of large-scale infrastructure projects (amounting to some RM15 billion) will provide an additional lift of 1 percentage point.

LEVERAGING ON EFFICIENCY AND AUTOMATION TO STRENGTHEN OUR COMPETITIVE EDGE

A new production capacity is currently being added at the Bangi site which will double the Kleeners capacity from 9,000 MT/pa to 18,000 MT/pa. The production process will also leverage on automation to enhance cost efficiencies and product quality. This will add value to the Polymers business and give it a more competitive edge.

TAPPING CUTTING EDGE LAB AND EQUIPMENT TO FAST-TRACK INNOVATION

The advanced new ultra-modern laboratory for polymers R&D will enable the Polymers Division to intensify new product development as well as testing and developmental activities for industries beyond the gloves sector. The investment in cutting edge lab equipment too will help CCM fast-track R&D efforts.

Group Managing Director's Management Discussion and Analysis

Seeing the speed at which all these developments are taking place, we are unable to estimate the full impact of these developments on our business at this point in time. However, rest assured that we have implemented the necessary measures to safeguard the sustainability of our business for the long-term. We are also grateful that our respective plants are still operating given that both our Chemicals and Polymers businesses are deemed essential industries.

Today, while we have all the levers that we need to ramp up our performance, nevertheless we still expect to be weighed down to some extent by the impact of the COVID-19 pandemic on the overall global economy. Moving forward, CCM like all others will have to brace ourselves to face an uncertain future under the 'new normal'.

To strengthen our workforce, we will re-focus our Learning and Development efforts to upgrade our people's competencies by providing a full and wide range of development opportunities through on-the-job training, work assignment and structured training program. This is to ensure that our employees acquired the necessary competencies to take on increasing level of responsibility and job complexity while at same time fostering employees personal and professional growth.

Our goal is to become a diversified chemical company by moving beyond the basic chemical realm into more specialised opportunities. As we venture forth, we are to recalibrate ourselves for the changing times; move forward as a united team; conduct our work with a strong sense of ethics; and keep a laser-focus on our priorities to take CCM to greater heights. The sum of all these efforts will ensure that CCM stays on track to deliver sustainable long-term growth.

ACKNOWLEDGEMENTS

FY 2019 was indeed a challenging year for us and we are truly appreciative of the resolute support and trust demonstrated by our valued shareholders, customers, government agencies, regulators, business partners and suppliers. We certainly look forward to your continuing support and confidence as we embrace another year with its many challenges and possibilities. CCM will remain agile and resilient to overcome all challenges and committed to driving sustainable growth in all our business endeavours.

A note of appreciation goes to our Board of Directors for their wise counsel and guidance which certainly helped us chart a steady course through a tough year. We thank all our former Directors for their worthy contributions and commitments towards CCM, and look forward to working closely with and tapping the collective wisdom and insights of the new Directors.

My utmost gratitude to CCM's loyal and diligent management and staff who once again stepped up to the plate to prove their mettle. I certainly look forward to your steadfast support and contributions as we set our sights on advancing the Group's position. Thank you.

Nik Fazila binti Nik Mohamed Shihabuddin
Group Managing Director

CCM'S RESPONSE TO THE COVID-19 PANDEMIC

There is no doubt that the COVID-19 pandemic has let an indelible imprint on the very fabric of society. As we come to grips with the ramifications of the impact of the pandemic and the extended lockdown periods on the global and domestic economies, the CCM Group is doing its part to mitigate these effects.

Operationally, we are thankful that our respective plants are still operating as both our Chemicals and Polymers businesses are deemed essential industries. While our plants have been in operation since day one of the Movement Control Order ("MCO") that came into effect on 18 March 2020, their operations have been modified to comply with the strict requirements set by the Ministry of International Trade and Industry ("MITI"). This includes MITI's requirements that only up to 50% of our workforce be allowed to work at the respective plants while the remainder must work from home.

We are proud to be helping the Government in its 'Nyah Cemar' initiatives at the peak of the COVID-19 period in the country. CCM has contributed our product, Sodium Hypochlorite totalling 12,000 litres to the Fire and Rescue Department (BOMBA) and HAZMAT teams for their disinfection operations within Klang Valley. Sodium Hypochlorite is one of the main chemicals used in the disinfection programme by the Government.

The safety and health of our employees and the surrounding communities remain a top priority to us and we continue to implement elevated safety standard operating procedures to combat the threat of COVID-19. All our employees are required to adopt strict measures during the MCO period. They must undergo mandatory temperature checks, diligently use masks and hand sanitisers as well as practice strict social distancing. We are also looking after the wellbeing of the staff working at our plants through ensuring they and their families have access to essential groceries and personal protective equipment and sanitisers.

CCM is also doing its bit for the communities that we operate in through undertaking activities aimed at supporting and encouraging the front-liners who risk their lives to protect and save others. Our activities to date include food contributions for front-liners of Hospital Sultanah Aminah and Hospital Permai in Johor.

SUSTAINABILITY STATEMENT

SUSTAINABILITY AT CCM

The CCM Group continues to uphold the agenda of sustainability as a top priority. We recognise that our long-term success is not only reliant on our pursuit of our economic ambitions but on our ability to cultivate strong ties with local communities whilst being a good steward of the environment that we operate in. To this end, the Group continues to progressively make solid improvements on the Economic, Environmental and Social fronts to preserve the sustainability and success of our businesses.

This Sustainability Statement for the 2019 financial year (FY 2019) encompasses our activities from 1 January to 31 December. It covers all our operating units and includes the activities at our Headquarters and our Chemicals and Polymers Divisions under CCM Chemicals Sdn Bhd (CCM Chemicals or the Chemicals business) and CCM Polymers Sdn Bhd (CCM Polymers or the Polymers business) respectively.

In FY 2019, we continued to implement effective Economic, Environmental and Social (EES) practices as well as advance CCM's agenda of sustainability. An overview of the year's initiatives to strengthen the sustainable growth of our businesses is outlined below. For more details of these initiatives, please refer to the CCM Sustainability Report 2019, our sixth standalone report which is available in digital format and can be downloaded from www.ccmberhad.com.

SUSTAINABILITY GOVERNANCE STRUCTURE

CCM's Board of Directors (the Board), with the support of the Sustainability Steering Committee (SSC) and the Sustainability Working Committee (SWC) have oversight for CCM's sustainability operations and strategies. The SWC was integrated into the leadership structure in 2018 to ensure and manage the implementation of sustainability-related matters.

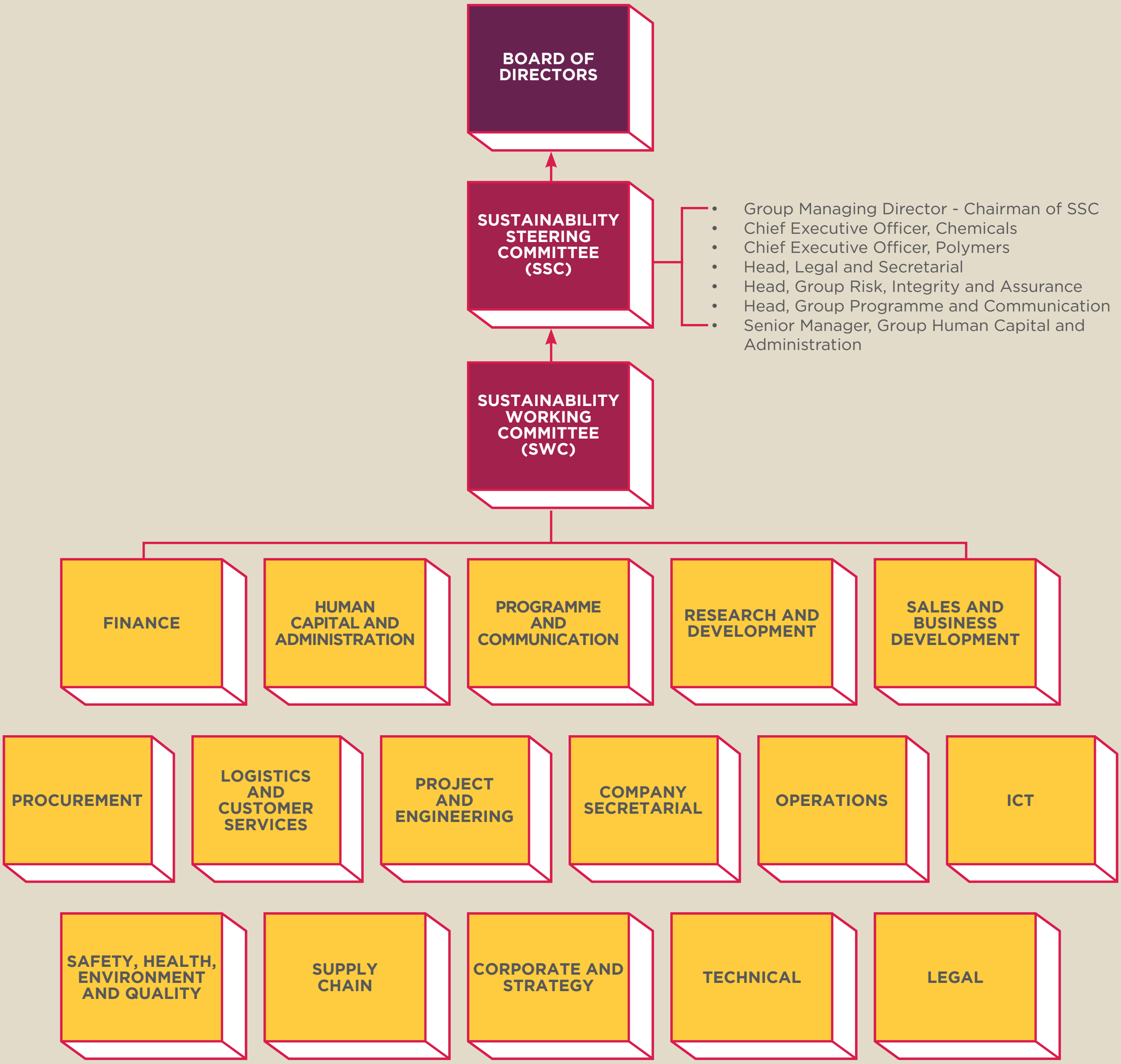
The roles and responsibilities of the SSC and SWC committees are as follows:

Sustainability Steering Committee (SSC)

- To appoint the members of the Sustainability Working Committee (SWC);
- To oversee and monitor the progress of integrated sustainability activities across CCM by the SWC;
- To ensure key members are involved in the decision-making process for all CCM's sustainability-related matters;
- To report the progress of sustainability matters to the Board on a periodical basis.

Sustainability Working Committee (SWC)

- To directly monitor the sustainability performance of the Group at all levels;
- To coordinate and execute sustainability activities that are in line with the strategic direction of the Group and its policies;
- To ensure sustainability matters are effectively communicated to all stakeholders i.e. the SSC, the Board, CCM employees, vendors, customers and others.


BOARD OF DIRECTORS
SUSTAINABILITY STEERING COMMITTEE (SSC)
Group Managing Director - Chairman of SSC
Chief Executive Officer, Chemicals
Chief Executive Officer, Polymers
Head, Legal and Secretarial
Head, Group Risk, Integrity and Assurance
Head, Group Programme and Communication
Senior Manager, Group Human Capital and Administration
SUSTAINABILITY WORKING COMMITTEE (SWC)
FINANCE
HUMAN CAPITAL AND ADMINISTRATION
PROGRAMME AND COMMUNICATION
RESEARCH AND DEVELOPMENT
SALES AND BUSINESS DEVELOPMENT
PROCUREMENT
LOGISTICS AND CUSTOMER SERVICES
PROJECT AND ENGINEERING
COMPANY SECRETARIAL
OPERATIONS
ICT
SAFETY, HEALTH, ENVIRONMENT AND QUALITY
SUPPLY CHAIN
CORPORATE AND STRATEGY
TECHNICAL
LEGAL

VALUING OUR STAKEHOLDERS

The Group values its diverse stakeholders and it is our aim to communicate with our stakeholders transparently on our strategic direction, motivation, goals, key developments and business progress. Via effective stakeholder dialogue, we seek to pinpoint opportunities to improve stakeholder management and relationships, co-create projects for our mutual benefit, and ensure our targets can be achieved in the most effective way.

Over the course of each year, we regularly engage with our stakeholders and create conversations centred on topics that are applicable to our operations and which impact society as a whole. The information and feedback that we receive during these engagement sessions are tapped to ensure we have a greater impact on those areas that are most material or important to our key stakeholders. By involving internal and external stakeholders in the Group's growth and success, we ensure all parties benefit from these efforts.

The table below spells out the details of the year's key stakeholder engagement activities.

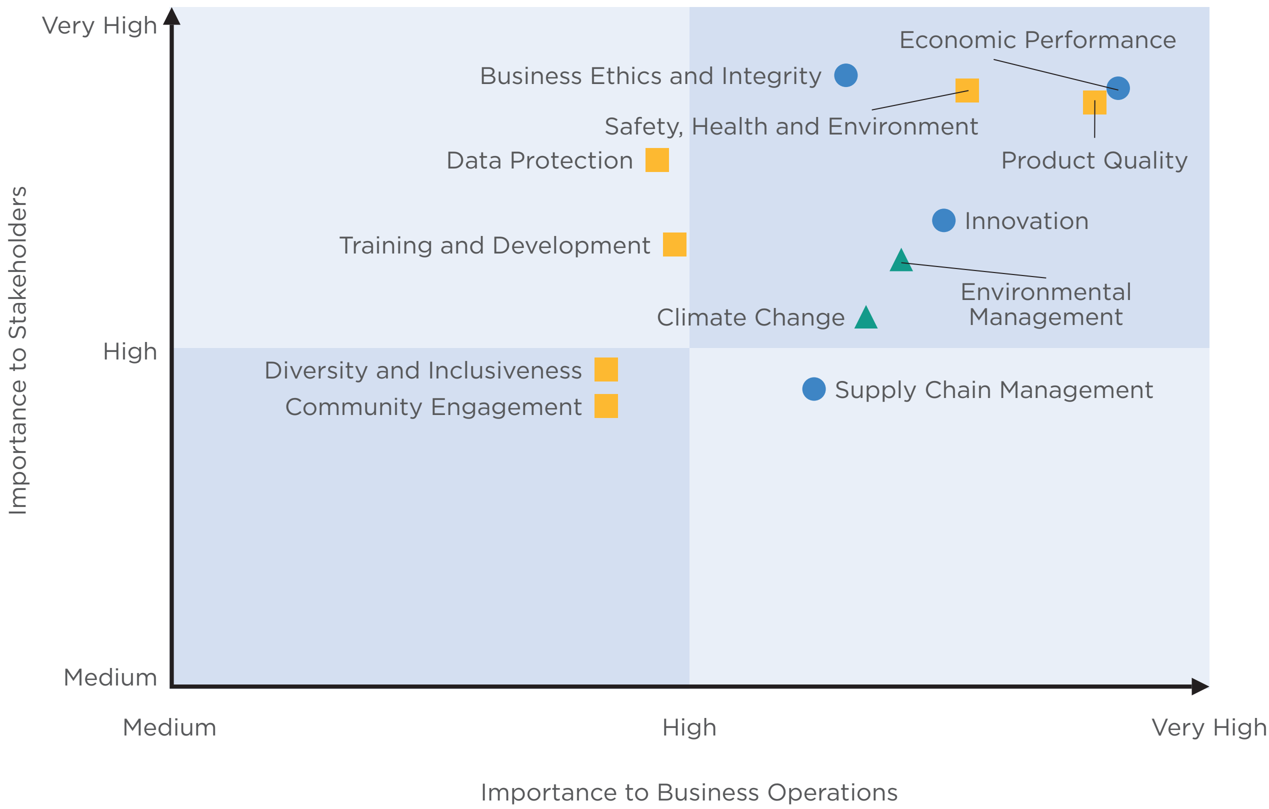
Our Stakeholders	Stakeholders' Focus and Areas of Interest	How We Address Their Concerns	Frequency of Engagement
EMPLOYEES	• Career development • Work-life balance • Knowledge building and talent development • Employee health, safety and wellness • Diversity and inclusion • Talent management • Women's empowerment	Capacity building programmes	Throughout the year
		Performance Appraisal	Biannual (Mid-Year and Full Year review)
GOVERNMENT AND REGULATORY BODIES	• Compliance • Product certification • Environmental emissions and discharge	Pasir Gudang Emergency Mutual Aid (PAGEMA) meetings chaired by the Yang Di-Pertua of Majlis Perbandaran Pasir Gudang	Quarterly
		Dialogue session with the Department of Environment (DOE) on scheduled waste and Guided Self-Regulation (GSR)	2 sessions
		Site Inspection/Audit by local authorities	Ad-hoc
		BOMBA inspection for renewal of Fire Certificate	Yearly
		External Environmental Audit	Triennial
		Meetings and dialogue sessions	As and when required
		Annual General Meeting (AGM)	Yearly
		Extraordinary General Meeting (EGM)	As and when required
		Company announcements	As and when required
		Annual Report	Yearly
		Corporate Governance Report	Yearly
		Website	Throughout the year

Our Stakeholders	Stakeholders' Focus and Areas of Interest	How We Address Their Concerns	Frequency of Engagement
CUSTOMERS	• Safe products and services • Quality management • Product quality and safety • Consumer health and well-being • Product environmental and social impact • Transparency and reporting • Traceability • Human rights	Standards and certifications	Throughout the year
		Customer feedback (complaints)	As and when required
		Customer survey	Biennial for Chemicals Division and Yearly for Polymers Division
		Product handling training for customers	25 sessions for Chemicals Division Throughout the year for Polymers Division
		Customer installation assessment	Per new customer
MEDIA	• Economic Performance • Impact of the operations on the community • Product innovation	Interviews	As and when required
		Press releases	As and when required
		AGM	Yearly
		EGM	As and when required
SHAREHOLDERS AND INVESTORS	• Business strategy • Financial performance • Governance and integrity • Global business strategy	Investor roadshows & Interviews	As and when required
		Annual General Meeting (AGM)	Yearly
		Extraordinary General Meeting (EGM)	As and when required
		Analyst briefing	Yearly
SUPPLIERS	• Sustainable procurement • Fair procurement • Transparency • Price stability • Product reliability	Vendor development programme	Throughout the year
		Vendor quality audit	Yearly
		Vendor performance audit	Each transaction of production materials
		Procurement system	Throughout the year
COMMUNITIES AND PUBLIC	• Community development • Quality products and services	Community programmes	Throughout the year
		Sponsorship and donations	Throughout the year
BANKERS AND FINANCIAL INSTITUTIONS	• Financial performance	Meetings and discussions	As and when required
INDUSTRY PEERS	• Industry developments • Competitiveness • Open knowledge sharing between industries	Industry forums	• Participated in Responsible Care Steering Committee and Technical Committee on a quarterly basis
		Conferences	• India Rubber Expo 2019 • 7th International Protective Gloves Conference & Trade Fair 2019 • ICIS World Chlor Alkali Conference • 23rd World Chlor Alkali Conference • 8th China International Chlor Alkali Conference • Malaysia International Water Convention 2019

OUR MATERIAL SUSTAINABILITY MATTERS

Our material sustainability matters are not restricted to matters that may have significant financial impact on our organisation, but also include matters that may impact our ability to meet present and future needs. We choose our material matters based on the guidelines provided by Bursa Malaysia where we identify issues that reflect the significant EES impact of our activities and which influence the perspectives and decisions of our stakeholders. In FY 2018, we performed a materiality assessment involving members of the SWC and representatives from the relevant departments within CCM to produce a materiality matrix. As those material matters were still valid in FY 2019, we continued to use them as guideposts for our sustainability endeavours. The matrix in question discloses 12 key material sustainability matters in order of importance to our business and our stakeholders as shown below.

MATERIALITY MATRIX



In managing these 12 material matters, we uphold our vision of 'Enhancing Quality of Life' through our Sustainability Policy. The relevant stakeholder group as well as Global Reporting Index and Sustainability Development Goal indicators for each material sustainability matter are as shown below.

No.	Material Sustainability Matter	GRI Indicator	Stakeholder Group	SDG
ECONOMIC				
1.	Economic Performance	201 Economic Performance	Shareholder and Investors, Bankers and Financial Institutions, Industry Peers	8 DECENT WORK AND ECONOMIC GROWTH
2.	Business Ethics and Integrity	102 General Disclosures 205 Anti- Corruption	Employees, Government and Regulatory Bodies, Shareholder and Investors	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
3.	Innovation	102 General Disclosure	Media, Customers, Communities and Public	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
4.	Supply Chain Management	102 General Disclosure 204 Procurement Practices	Suppliers	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
ENVIRONMENTAL				
5.	Environmental Management	303 Water, 305 Emissions, 306 Effluents and Waste	Government and Regulatory Bodies, Communities and Public, Industry Peers	6 CLEAN WATER AND SANITATION
6.	Climate Change	302 Energy	Government and Regulatory Bodies, Communities and Public, Industry Peers	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

SOCIAL				
7.	Product Quality	102 General Disclosure 416 Customer Health and Safety	Customers, Shareholder and Investors, Government and Regulatory Bodies, Industry Peers	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
8.	Safety, Health and Environment	403 Occupational Health and Safety	Employees, Government and Regulatory Bodies, Communities and Public	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH
9.	Data Protection	418 Customer Privacy	Customers, Employees, Government and Regulatory Bodies	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10.	Training and Development	404 Training and Education	Employees	8 DECENT WORK AND ECONOMIC GROWTH
11.	Diversity and Inclusiveness	102 General Disclosure 405 Diversity and Equal Opportunity	Employees	8 DECENT WORK AND ECONOMIC GROWTH
12.	Community Engagement	413 Local Communities	Shareholder and Investors, Communities and Public, Media	4 QUALITY EDUCATION

CCM SUSTAINABILITY POLICY

In furtherance of our vision of enhancing quality of life, The CCM Group of Companies is committed towards achieving sustainability that will benefit our stakeholders, the environment, our people and the communities in the territories influenced by our operations:

In achieving this, we shall:

CCM SUSTAINABILITY POLICY

1. Ensure that our activities, products and services are, so far as is practicable, are safe to the environment and the health of the people.
2. Be committed towards the prevention of injury, ill health and pollution as well as towards environmental conservation.
3. Comply with all applicable statutory, regulatory and business requirements in the territories that we operate.
4. Optimise the use of natural resources to reduce our carbon footprint and as far as practicable, practice energy efficiency throughout all our plants and facilities.
5. Be committed towards full conformance to applicable quality, safety, health and environmental international standards.
6. Operate in an open, transparent and accountable manner.
7. Cultivate a diverse, inclusive and respectful workplace.
8. Work closely with our stakeholders and local communities to further improve their quality of life.
9. Define our sustainability goals, objectives and targets and measure our sustainability performance against agreed targets.
10. Provide, as far as practicable, the appropriate resources in order to achieve our sustainability goals, objectives and targets.
11. Continually review and improve our sustainability performance by encouraging innovative thinking and monitoring global economic, social and environmental trends, best practices, challenges and opportunities.
12. Communicate this Policy to all relevant parties including our stakeholders, customers, employees and the local communities in which we operate.

OUR COMMITMENT TO SUSTAINABLE ECONOMIC PRACTICES

CCM is currently one of the largest manufacturers of chemicals and polymers in Malaysia. The Group is the market leader for industrial and specialty chemicals as well as serves as a one-stop centre for the provision of a wide range of polymer-coating solutions.

With more than 50 years of industry experience under our belt, we continue to play a key role in various industry bodies. CCM is a Government-linked Company (GLC) with active memberships in the Chemical Industries Council of Malaysia (CICM), Malaysian Rubber Glove Manufacturers Association (MARGMA), Business Council for Sustainable Development Malaysia (BCSDM), Federation of Malaysian Manufacturers (FMM), Minority Shareholder Watch Group (MSWG) and Institute of Corporate Directors Malaysia (ICDM). For more details of our economic practices, please refer to CCM's Sustainability Report 2019.

SUPPORTING LOCAL INDUSTRY & BUMIPUTERA VENDORS

We have a preference for local suppliers when it comes to procurement matters due to their lower costs in logistics and warehousing, flexible and timely delivery, prompt response and assistance, plus better product control and monitoring. More than 50% of the vendors that our Chemicals and Polymers businesses work with on procurement matters are local vendors.

As part of the CCM Bumiputera Vendor Development Programme (BVDP), we continue with our efforts to procure from local Bumiputera suppliers. Initiated in 2007, the CCM BVDP aims to create Bumiputera entrepreneurs who are reliable and competitive, have the ability to produce local products and services to replace imported ones that are currently used by CCM, as well as undertake research and development (R&D) for products and services. Following our demerger exercise, there are, to date, eight companies remaining under this programme. In FY 2019, we spent more than RM15 million procuring products and services from Bumiputera companies with 30% procured from suppliers under the BVDP programme.

UPHOLDING BUSINESS INTEGRITY

In our efforts to uphold sound and transparent business practices throughout our entire supply chain, we undertake communication and training on anti-corruption policies and procedures as well as cascade this down across the entire Group through our integrity initiatives. For FY 2019, we conducted three programmes for our employees across the Group on Anti-Bribery and Corruption matters. The Group Integrity Unit also had an Integrity Assessment done for the employees to benchmark the governance and integrity levels of the Group. The Integrity Assessment Tool (IAT) training - developed by Institut Integriti Malaysia covering twelve dimensions such as Leadership, Organisational Structure, Whistle Blowing and others - was conducted for more than 170 employees,

OUR COMMITMENT TO SUSTAINABLE ENVIRONMENTAL PRACTICES

We acknowledge the impact our business operations can have on the environment in terms of carbon emissions and climate change. As part of our commitment to safeguard the planet, we measure our environmental footprint across the value chain to pinpoint and prioritise areas for improvement. Our ambition is to accomplish optimum energy utilisation for the long-term whilst also reducing our energy costs. The energy saving endeavours within our operations entail creating robust energy-saving programmes which will produce a positive impact on the environment and create awareness among our employees, customers and communities. For more details of our environmental performance, please refer to CCM's Sustainability Report 2019.

REDUCING OUR CARBON FOOTPRINT

Mitigating Additional Energy costs via COGEN

Co-generation (COGEN) or Combined Heat and Power involves the simultaneous production of electricity and usable thermal energy from a single fuel source which is substantially more efficient and cost effective. The heat created from COGEN is captured and recycled to provide hot water or steam for heating or cooling a production facility. To mitigate additional energy costs, we initiated a COGEN project at our Pasir Gudang Work (PGW) chlor-alkali plant in Johor in FY 2019.

Targeted for completion by end FY 2020, the project involves an investment of RM27.9 million and the integration of a 7.8 MW COGEN capability into our stable of assets. Aside from providing considerable energy savings to the Group, it aims to mitigate the Group's exposure to any increase in electricity rate, strengthening our cost competitiveness, and simultaneously supporting the national agenda of achieving 8% savings from energy efficiency by 2025. The COGEN project also aims to lower greenhouse gas emissions such as carbon dioxide and other air pollutants like nitrogen oxides and sulphur dioxide, thus resulting in a cleaner environment.

Energy Reduction through Electrolyser and Membrane Efficiency

For some years now, we have been reaping the benefits of energy reduction through electrolyser and membrane efficiency at the PGW 1 plant. One such project involved upgrading the electrolyser from an NCS electrolyser to an NCH electrolyser. By using the NCH electrolyser, it has led to significant reduction in power consumption and hence carbon emissions. The project, which began in 2014 and was fully completed in 2016, focused on the augmentation of electrolyser technology by optimising membrane performance.

Tapping Excess Hydrogen via the Dual-Fuel Boiler Project

Hydrogen gas is one of the gasses produced in the chlor-alkali manufacturing process. Apart from using it to produce hydrochloric acid, there is usually excess hydrogen in the manufacturing process that is released into the atmosphere. PGW has embarked on a dual-fuel boiler project by utilising excess hydrogen as an alternative fuel source for boiler operations instead of using natural gas alone. In tapping this approach, the natural gas consumption for the boiler fuel source has been reduced by 26% in 2019. By consuming the excess hydrogen from our plants as fuel instead of just emitting it into the atmosphere, we have successfully helped reduced energy costs and the Group's carbon footprint.

OUR COMMITMENT TO SUSTAINABLE SOCIAL PRACTICES

Here at CCM, our policies and targets are shared across the entire Group. This not only enables us to establish and run safe and stable operations, it also ensures that we embed safe, environmentally friendly and healthy elements throughout the lifecycle of our products. We also leverage on our policies and targets to maintain high standards and continuously improve on the quality of products and services that we deliver. For more details of our social performance, please refer to CCM's Sustainability Report 2019.

ENSURING CUSTOMER HEALTH AND SAFETY

At our Chemicals Division, 100% of our products are assessed for their health and safety impact under the Chemical Health Risk Assessment (CHRA) criteria; 57% under the Restriction of Hazardous Substance (RoHS) compliance guide; 14% under the Global Product Strategy (GPS) and approximately 28.6% of our products are assessed for compliance with the Control of Industrial Major Hazard (CIMAH) regulations.

CCM Chemicals also offers stakeholders a host of communication channels including its customer complaint system. Its toll-free number is exhibited on road tankers, cargo lorries, hazardous chemical (HAZCHEM) signs and product labels as well as its Safety Data Sheet and the Company website. The company's office contact number is made available on the Safety Data Sheet, lorry HAZCHEM signs and product labels as well as during the Community Awareness Programme held for the community and neighbouring facilities.

SAFEGUARDING COMMUNITIES

Being a strong advocate of greater safety within the chemical industry, we are committed to ensuring a safer environment for our employees, customers and the communities that we operate in. Our subsidiary, CCM Chemicals Sdn Bhd, has trained professional Chemical Emergency Service (CES) teams that provide advice on safety measures and the remedial actions to be taken when a chemical emergency occurs. At the same time, the CES teams are proactively collaborating with parties such as the Fire and Rescue Department Malaysia and the Pasir Gudang Emergency Mutual Aid (PAGEMA) team to respond to emergency situations as and when required.

On 7 March 2019, illegal chemical waste was dumped into Sungai Kim Kim in Pasir Gudang releasing toxic fumes which affected some 6,000 people and saw 2,775 victims, mostly school children from the 110 schools in the area, needing hospitalisation. Once alerted, the Pasir Gudang Municipal Council and members of PAGEMA immediately swung into action. CCM's CES teams lent support by ferrying affected students and publics from various schools and housing areas to the medical base, health clinics and hospitals. We also served as the PAGEMA secretariat and provided other resources including ambulances, medical supplies and personal protective equipment. A second similar incident recurred in June 2019 and our CES teams once again responded immediately with the necessary support.

ENRICHING COMMUNITIES

As part of our efforts to elevate communities, we organise various community engagement initiatives on an annual basis and provide employment opportunities. Our 2019 initiatives included the following:

CCM Stem Up Challenge

One of the flagship community programmes that we are supporting is the CCM STEM UP Challenge. This sees CCM encouraging secondary students to take up STEM (Science, Technology, Engineering and Mathematics) so that they are well prepared to adapt to rapid technological advancements and thrive in a technology-driven work environment. CCM has allocated approximately RM90,000 with the intention of creating greater awareness of STEM amongst students. The 2019 programme saw participation from 2,250 secondary students from 45 secondary schools in the Kuala Muda/Yan District.

In FY 2019, we expanded the STEM UP programme through the CCM STEM UP X UTP initiative, our maiden collaboration with Universiti Teknologi PETRONAS. The inaugural event drew 1,000 students from primary and secondary schools across Perak who took part in an interactive competition.

CCM PINTAR Programme

The CCM Promoting Intelligence, Nurturing Talent and Advocating Responsibility (PINTAR) programme is a school adoption programme that aims to develop and enhance students' reading, writing, understanding and speaking skills in English which ultimately helps improve their socioeconomic living standards. Initiated by Khazanah National Berhad, this programme has seen CCM adopt 15 primary schools nationwide that were located adjacent to our manufacturing facilities and premises. The year 2019 marked the end of the CCM PINTAR programme for us since we became involved in it back in 2007.

Rakan Saintis Sungai (RSS) CCM

The Rakan Saintis Sungai CCM or RSS initiative is an invaluable platform for youth to gain knowledge and hands-on skills on best practices to improve water quality and protect natural resources, particularly rivers. The two-day programme aims to develop young environmental warriors who are passionate about protecting the environment and creating a sustainable future. In FY 2019, two RSS programmes were held in Kota Tinggi, Johor and Kuching, Sarawak in conjunction with each state's respective National Environment Day 2019 celebrations. Held for the fifth time in Johor, the RSS programme there attracted 60 students and 12 teachers, while the maiden RSS programme in Sarawak drew the participation of 60 students and 6 teachers.

NURTURING OUR EMPLOYEES

We undertake year-round employee engagement activities to strengthen ties with our employees and the camaraderie within CCM. Regardless of gender or race, everyone is given an equal opportunity in terms of their remuneration and ability to participate in senior management and leadership roles throughout our organisation.

We conduct an employee engagement survey to better understand employee satisfaction levels and carry out structured learning and development programmes to allow our employees to learn, grow and share their knowledge and experiences.

KEEPING EMPLOYEES SAFE AND HEALTHY

We endeavour to create an agile and high performing organisation by keeping our employees safe and healthy. We monitor injury trends while a SHE committee has been established to identify and resolve health and safety issues within our operations. We are well prepared for any emergency and exposure to hazards through our accident and incident management measures that are applied throughout our operations. Our concern does not only encompass our operations and employees but also extends to our other stakeholders, particularly the communities in which we operate.

ENGAGING OUR EMPLOYEES TO BE FIT FOR FUTURE

Towards the end of October 2019, we rolled out the Re-Project, a Group-wide campaign to prepare our people, as they wrapped up the year and refuelled to embrace FY 2020. This initiative incorporated three stages, namely the Rejuvenate from within with ME; Reinvent the workplace with YOU; and Restore the environment and society with US stages. The project, which came to an end in mid-January 2020 encompassed a host of reinvigorating activities that included Self-care, Yoga and aerobics, a Values Hunt and GratiFriday, among others.

For more details of CCM's sustainability efforts, kindly refer to the CCM Sustainability Report 2019 which is downloadable from the Company's website, **www.ccmberhad.com**.

KEY HIGHLIGHTS

MARCH

As a strategic business partners to SMEs, CCM was awarded with BrandLaureate SMEs Strategic Business Partner Award 2018/2019

CCM Chemical Emergency Response (CES) team lend a helping hand at Sg. Kim Kim, Johor incident

APRIL

Our continuous participation at Minggu Saham Amanah Malaysia 2019, Sungai Petani, Kedah

2nd Edition of CCM STEM UP Challenge : A science competition to nurture secondary school students' interest in Science, Technology, Engineering & Mathematics (STEM)

MAY

CCM 57th Annual General Meeting

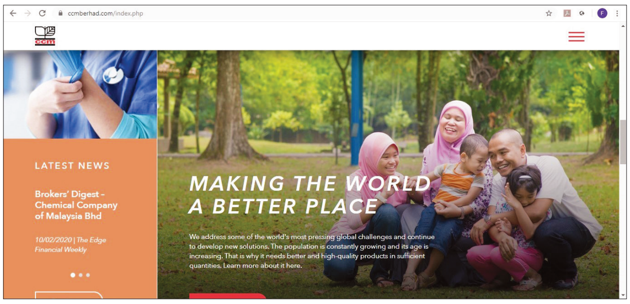
AUGUST

Cultivating and embracing innovation among CCM employees@ CCM Innovation Challenge

JUNE

Opening Ceremony of CCM Polymers new facility : Expanding our business capabilities

Engaging with the investor community through CCM Investor Relations Session



CCM new and revamped website; www.ccmberhad.com

KEY HIGHLIGHTS

SEPTEMBER

CCM Group Team Building sessions @ Avillion Port Dickson

CCM STEM UP X UTP marked CCM's first collaboration with an institute of higher learning, Universiti Teknologi PETRONAS

OCTOBER

Rakan Saintis Sungai, Sarawak@ Sumiran Eco Camp, Kuching

CCM team emerged as one of the top 3 winner at the PNB Group Innovation Challenge competition with the Waste to Wealth project

Contract Handover between Petronas & CCM Chemicals for the supply of caustic soda to Petronas Refinery and Petrochemicals Corporation Sdn Bhd

The RE-Project: Rejuvenate from within, Reinvent the workplace and Restore the Surrounding

NOVEMBER

Rakan Saintis Sungai held for the fifth time in Johor, in conjunction with the state-level National Environment Day 2019

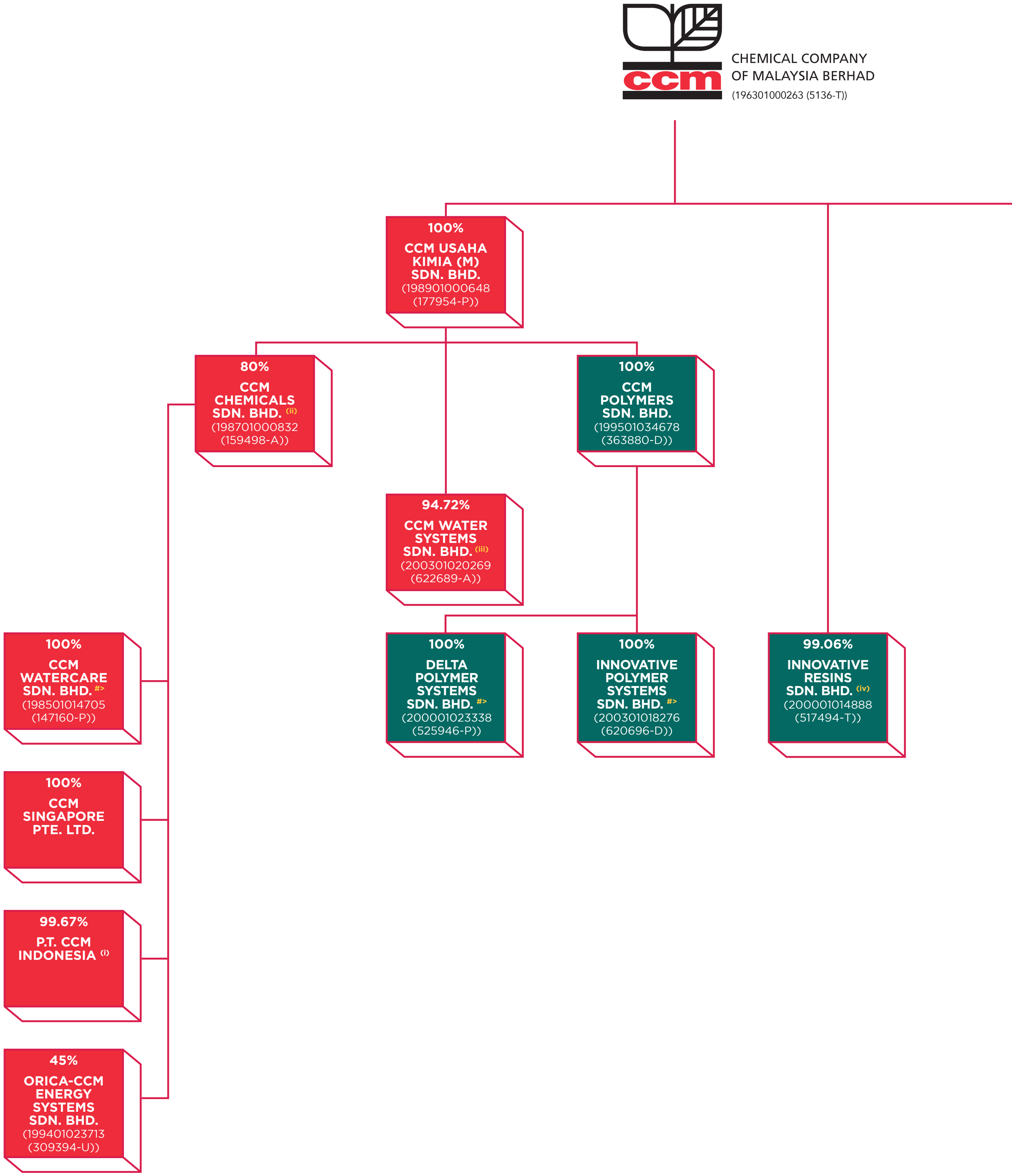
Final year of CCM Pintar Programme: 2007 – 2019

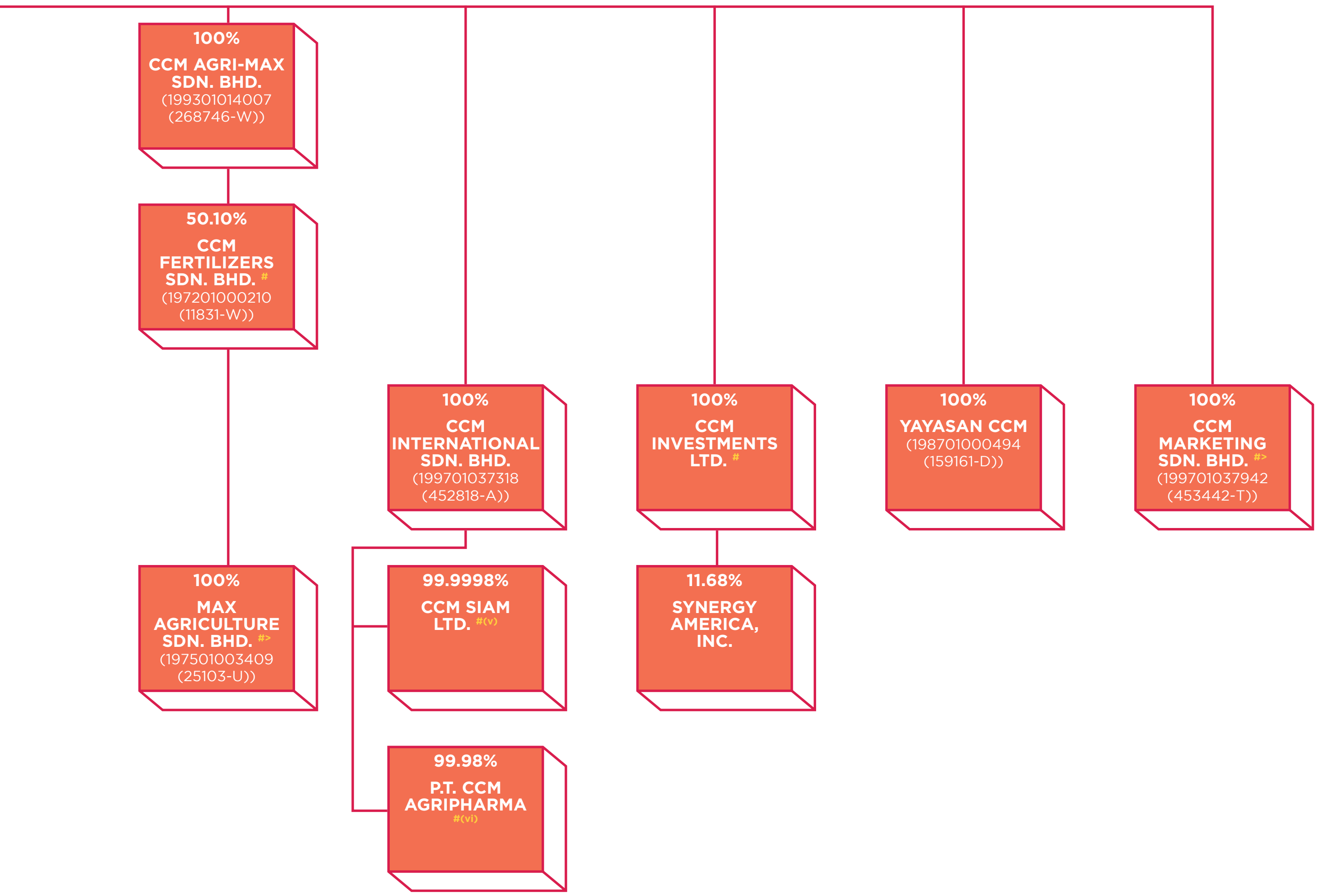
DECEMBER

Kids Friendly @ CCM Group Townhall featuring Back to School programme, Educational Excellence Awards, Health Talk and attractive activities for employee children

GOVERNA

GROUP STRUCTURE
As at 15 April 2020





Chemicals Business

Polymers Business

Others

N.B
(i) 0.33% held by CCM Water Systems Sdn. Bhd.
(ii) 20% held by CCM
(iii) 5.28% held by CCM
(iv) 0.94% held by CCM Usaha Kimia (M) Sdn. Bhd.
(v) 0.0001% held by CCM Marketing Sdn. Bhd. and 0.0001% held by Innovative Resins Sdn. Bhd.
(vi) 0.02% held by CCM
Dormant
> In liquidation

BOARD AND MANAGEMENT STRUCTURE


MANAGEMENT COMMITTEE
PROJECT REVIEW COMMITTEE
ENTERPRISE RISK MANAGEMENT COMMITTEE
SUSTAINABILITY STEERING COMMITTEE

BOARD OF DIRECTORS

DR LEONG YUEN YOONG
Independent Non-Executive Director

AMIZAR BINTI MIZUAR
Non-Independent Non-Executive Director

ZAINAL ABIDIN BIN JAMAL
Non-Independent Non-Executive Director

DATO' WAN MOHD FADZMI BIN CHE WAN OTHMAN FADZILAH
Senior Independent Non-Executive Director

DATO' IDRIS BIN KECHOT
Non-Independent Non-Executive Chairman

NIK FAZILA BINTI NIK MOHAMED SHIHABUDDIN
Group Managing Director

HASMAN YUSRI BIN YUSOFF
Independent Non-Executive Director

DATUK ANUAR BIN AHMAD
Independent Non-Executive Director

RAJA AZURA BINTI RAJA MAHAYUDDIN
Independent Non-Executive Director

DATO' IDRIS BIN KECHOT

AGE
65

NATIONALITY
Malaysian

GENDER
Male

POSITION ON THE BOARD
Non-Independent Non-Executive Chairman

DATE OF APPOINTMENT TO THE BOARD
18 March 2019

MEMBERSHIP OF BOARD COMMITTEES:
None

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS:
- Kumpulan FIMA Berhad
- Malayan Banking Berhad
- Maybank Asset Management Group Berhad

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:
Three (3) out of Three (3) meetings

QUALIFICATIONS:
- Certified Financial Planner, Financial Planning of Malaysia
- Master of Business Administration majoring in Finance, University of Stirling, United Kingdom
- Bachelor of Science (Agribusiness), Universiti Pertanian Malaysia
- Unit Trust Consultant, Federation of Malaysian Unit Trust Managers
- Accelerated Development Program, London Business School, United Kingdom

WORKING EXPERIENCE AND OCCUPATION:
Dato' Idris was formerly the Deputy President and Group Chief Operating Officer of Permodalan Nasional Berhad (PNB), one of the largest fund management companies in Malaysia with assets under management (AUM) currently exceeding RM295 billion and was overseeing the asset management department. He has more than 30 years of experience in equity evaluation, equity trading and portfolio management of the proprietary and unit trust portfolios.

He began his career as a research analyst with PNB in 1983 undertaking industry and sectorial research and has carved an illustrious career before retiring as Deputy President and Group Chief Operating Officer of Permodalan Nasional Berhad on 31 December 2018. In the course of his career, he has undergone extensive training and attachment programmes locally and overseas, in the areas of equity evaluation, portfolio management and general management development.

NIK FAZILA BINTI NIK MOHAMED SHIHABUDDIN

AGE	NATIONALITY	GENDER
53	Malaysian	Female

POSITION ON THE BOARD
Group Managing Director

DATE OF APPOINTMENT TO THE BOARD
28 December 2017

MEMBERSHIP OF BOARD COMMITTEES:
None

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS:
None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:
Six (6) out of Six (6) meetings

QUALIFICATIONS:
- Chartered Accountant, Malaysian Institute of Certified Public Accountants (MICPA)
- Chartered Accountant, Malaysian Institute of Accountants (MIA)
- Associate Member CPA Australia
- Bachelor of Economics (Accounting), Flinders University of South Australia, Adelaide, Australia

WORKING EXPERIENCE AND OCCUPATION:
Nik Fazila was appointed as Group Managing Director of Chemical Company of Malaysia Berhad on 28 December 2017. She joined CCM in March 2012 as Director, Finance and was appointed as the Group Chief Operating Officer cum Chief Financial Officer on 1 May 2016, overseeing the functions of Group Human Resources, Group Information Technology & Systems and Office Services, while still holding the role as Chief Financial Officer.

Nik Fazila has over 30 years of experience in the field of accounting, finance, business assurance and corporate transactions. She began her career with Price Waterhouse (now known as PricewaterhouseCoopers) Malaysia where she spent 10 years, primarily in the audit & business advisory services. She also held various senior roles in the accounting, finance and management including as Chief Financial Officers in Malaysia public listed companies, prior to joining CCM Group.

Currently, she also holds directorships on the board of several companies within the CCM Group.

Board of Directors

DATO' WAN MOHD FADZMI BIN CHE WAN OTHMAN FADZILAH

AGE
54

NATIONALITY
Malaysian

GENDER
Male

POSITION ON THE BOARD
Senior Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
9 March 2018

MEMBERSHIP OF BOARD COMMITTEES:

- Chairman, Nomination and Remuneration Committee
- Member, Audit and Compliance Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Hap Seng Consolidated Berhad
- Sumitomo Mitsui Banking Corporation Malaysia Berhad
- Bank Pembangunan Malaysia Berhad
- BI Credit & Leasing Berhad

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:

Six (6) out of Six (6) meetings

QUALIFICATIONS:

- Chartered Banker, Asian Institute of Chartered Bankers
- Fellow, Institute of Corporate Directors Malaysia
- Bachelor of Construction Economics, RMIT University Australia
- Advanced Management Program, Wharton Business School, University of Pennsylvania, USA
- Senior Executive Finance Program, Templeton College University of Oxford

WORKING EXPERIENCE AND OCCUPATION:

Dato' Wan Mohd Fadzmi has extensive experience in domestic and international banking. During his 22-year career with Malayan Banking Berhad, he held senior management positions including the Chief Executive and Country for the Bank's operations in London, New York and Hong Kong.

He was the Director of global financial banking strategic business group of RHB Bank Berhad from July 2010 to June 2011 before assuming the position as the President/Chief Executive Officer at Bank Pertanian (M) Berhad (Agrobank) from July 2011 to August 2017.

AMIZAR BINTI MIZUAR

AGE
50

NATIONALITY
Malaysian

GENDER
Female

POSITION ON THE BOARD
Non-Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
14 September 2018

MEMBERSHIP OF BOARD COMMITTEES:

- Member, Nomination and Remuneration Committee
- Member, Finance and Investment Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:

Six (6) out of Six (6) meetings

QUALIFICATIONS:

- Master of Business Administration (Applied Finance & Investment), Universiti Kebangsaan Malaysia
- Bachelor of Business Administration (Hons), Universiti Utara Malaysia
- Graduate Diploma of Applied Finance & Investment, Securities Institute, Australia
- Graduate Diploma in Investment Analysis, Institut Teknologi MARA
- Diploma in Banking Studies, Institut Teknologi MARA
- Capital Markets Services Representative's Licence, Securities Commission
- Leadership Transition Programme, INSEAD, Fontainebleau, France

WORKING EXPERIENCE AND OCCUPATION:

Amizar started her career with Permodalan Nasional Berhad (PNB) in 1995 and is presently its Senior Vice President of Strategic Investment Division. In her career of over 20 years at PNB, she has served in various capacities and has been involved in various aspects of investment management and corporate finance including mergers and acquisitions, corporate restructuring and investment analysis.

DATUK ANUAR BIN AHMAD

AGE	NATIONALITY	GENDER
66	Malaysian	Male

POSITION ON THE BOARD
Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
14 June 2019

MEMBERSHIP OF BOARD COMMITTEES:

- Chairman, Finance and Investment Committee
- Member, Risk Management Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Petronas Dagangan Berhad
- ENRA Group Berhad
- Nylex (Malaysia) Berhad
- Kumpulan FIMA Berhad

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:
Two (2) out of Two (2) meetings

QUALIFICATIONS:

- Bachelor of Science (Econs), London School of Economics and Political Science, University of London, United Kingdom
- Advanced Management Program, Harvard Business School, United States of America

WORKING EXPERIENCE AND OCCUPATION:
Datuk Anuar started his career in 1977 with Petroliam Nasional Berhad (Petronas). During his 36 years of services with Petronas Group, he held various senior managerial and leadership positions in marketing, trading, corporate planning and human resource management until his retirement in April 2014 where his last position held was the Executive Vice President of Gas and Power Business, Petronas.

During his stint with Petronas Group, he was appointed as the Managing Director and Chief Executive Officer in Petronas Dagangan Berhad from 1998 to 2002. He was also a member of Petronas Management Committee and member of Petronas Board from 2002 to April 2014. He also sat on the board of various companies within Petronas Group.

RAJA AZURA BINTI RAJA MAHAYUDDIN

AGE	NATIONALITY	GENDER
46	Malaysian	Female

POSITION ON THE BOARD
Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
21 June 2019

MEMBERSHIP OF BOARD COMMITTEES:

- Member, Nomination and Remuneration Committee
- Member, Audit and Compliance Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:

Two (2) out of Two (2) meetings

QUALIFICATIONS:

- Chartered Accountant (M), Malaysian Institute of Accountants
- Certified Internal Auditor, The Institute of Internal Auditors
- Certification of Control Self-Assessment (CCSA), The Institute of Internal Auditors
- Bachelor of Accounting (Hons), Universiti Utara Malaysia

WORKING EXPERIENCE AND OCCUPATION:

Raja Azura was formerly the Chief Executive Officer of Yayasan Peneraju Pendidikan Bumiputera, one of the foundations initiated by the Government to strengthen the universal and sustainable development of Bumiputera capabilities in line with Malaysia's upgrading efforts towards high-income countries through academic education, professional and vocational certifications.

Raja Azura brings with her over 20 years of experience in the field of human capital and audit. She has previously served Malaysia Airlines as Chief Internal Auditor - Audit and Business Advisory Department and Executive Vice President - Human Capital Division; Khazanah Nasional Berhad as Senior Vice President - Strategic Human Capital Management and Arthur Andersen & Co. as Assistant Manager of the Services Division.

An auditor by training, Raja Azura actively contributes in the internal audit profession, having served on the Board of Governors of the Institute of Internal Auditors Malaysia for three (3) years and was the Chairman of the International Association of Airline Internal Auditors. She previously served as a member of the Board of Directors of Malaysia Professional Accountancy Centre (MyPAC).

She has received the Honoree of 2019 Influential Leader awarded by AACSB and the recipient of the Inaugural Malaysia Women of Excellence Award 2014 for the Quasi-Government category. Raja Azura has also received the Global HR Excellence Award 2011/12 conferred by World HRD Congress.

Board of Directors

HASMAN YUSRI BIN YUSOFF

AGE
59

NATIONALITY
Malaysian

GENDER
Male

POSITION ON THE BOARD
Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
13 September 2019

MEMBERSHIP OF BOARD COMMITTEES:

- Chairman, Audit and Compliance Committee
- Member, Finance and Investment Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Malaysian Resources Corporation Berhad
- Serba Dinamik Holdings Berhad
- MIDF Amanah Asset Management Berhad

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:

One (1) out of One (1) meeting

QUALIFICATIONS:

- Chartered Accountant, Malaysian Institute of Accountants
- Fellow of the Association of Chartered Certified Accountants
- Postgraduate Diploma in Islamic Studies, International Islamic University Malaysia

WORKING EXPERIENCE AND OCCUPATION:

Hasman was a Partner at KPMG Malaysia (KPMG) before his retirement in December 2015. He joined KPMG in 1999 as Director in the Assurance and Audit Division before becoming a Principal with the Assurance Division in October 2001.

Prior to KPMG, he was with Petronas Group of Companies for ten (10) years from 1984 to 1994 holding various positions in the Group. Thereafter, he joined Malakoff Berhad for four (4) years from 1995 to 1999 as the General Manager, Finance responsible for the financial affairs of the Group. His experience in audit and commercial covers a wide range of industries including construction, property development, plantation, power generation and oil & gas.

DR. LEONG YUEN YOONG

AGE
42

NATIONALITY
Malaysian

GENDER
Female

POSITION ON THE BOARD
Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
18 September 2019

MEMBERSHIP OF BOARD COMMITTEES:

- Member, Risk Management Committee
- Member, Finance and Investment Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:

One (1) out of One (1) meeting

QUALIFICATIONS:

- PhD in International Manufacturing Strategy & Network Systems, University of Cambridge, UK
- MEng in Electrical and Electronic Engineering, Imperial College London of Science, Technology & Medicine, UK
- Business Sustainability Management, University of Cambridge Institute for Sustainability Leadership, UK

WORKING EXPERIENCE AND OCCUPATION:

Dr. Leong Yuen Yoong is the co-founder of WAYY Consulting, a firm established in 2009 to provide market research, strategic planning, implementation and strategic sourcing services to technology and manufacturing companies. Prior to consulting, she has worked in the plantations and life science technology investment space at Golden Hope Plantations Berhad, Sime Darby Berhad and the Malaysian Life Sciences Capital Fund Management Company Limited.

Dr. Leong is also involved in change management, which combines the best management practices from the west with oriental thoughts and philosophy. She is also the co-founder of Natural Ease, which provides anti-pathogenic solutions and taichi training to enhance health and wellbeing.

ZAINAL ABIDIN BIN JAMAL

AGE
66

NATIONALITY
Malaysian

GENDER
Male

POSITION ON THE BOARD
Non-Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
20 September 2019

MEMBERSHIP OF BOARD COMMITTEES:

- Chairman, Risk Management Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Maybank Islamic Berhad
- Sime Darby Plantation Berhad
- Sime Darby Oils International Limited

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:
One (1) out of One (1) meeting

QUALIFICATIONS:

- Bachelor of Laws (LLB) (Honours), University of Singapore

WORKING EXPERIENCE AND OCCUPATION:
Zainal is a practising corporate and commercial lawyer. He was enrolled as an Advocate and Solicitor of the Supreme Court of Singapore in 1980. He had also served as a First Class Magistrate in Brunei Darussalam from 1980 to 1983.

Between 1983 and 1986, he served as the Company Secretary of Harrisons Malaysian Plantations Berhad. Zainal was enrolled as an Advocate & Solicitor of the High Court of Malaya in 1986. He is the Founder and Senior Partner of Zainal Abidin & Co, Advocates & Solicitors, established in 1987.

He is currently the Chairman of Maybank Islamic Berhad, Sime Darby Oils International Limited, Padu Corporation (a company limited by guarantee) and Global Humanitarian Fund (a company limited by guarantee in the United Kingdom).

Zainal has been an Arbitrator of the Asian International Arbitration Centre (AIAC) since 2004 and appointed a member of the AIAC Advisory Council since July 2019.

He has also been appointed as a member of Shariah Advisory Council, Bank Negara Malaysia (2019 – 2022).

Declaration:
All the Directors have NO :

- Family relationship with any director and/or major shareholder.
- Conflict of interest with the company.
- Convictions for offences within the past 5 years and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
- Securities holdings in the Company and its subsidiaries.

SENIOR MANAGEMENT

WAN AZMIRRUDIN BIN WAN FADZIR
Head, Group Human Capital & Administration

WAN AISHAH IDRIS BINTI MUHAMAD IDRIS
Head, Group Risk, Integrity & Assurance

DR. KHEW MEI CHING
Chief Executive Officer, Polymers

MUKRI BIN HARUN
Chief Executive Officer, Chemicals

NOOR AZWAH BINTI SAMSUDIN
Head, Legal & Secretarial/ Group Company Secretary

NUR MELISSA FERNANDEZ ABDULLAH
Head, Program and Communication

SENIOR MANAGEMENT

MUKRI BIN HARUN

52, Malaysian, Male

DR. KHEW MEI CHING

53, Malaysian, Female

POSITION:
Chief Executive Officer, Chemicals

DATE OF APPOINTMENT TO KEY SENIOR POSITION:
1 January 2018

QUALIFICATIONS:
- Bachelor of Science (Mechanical Engineering), Clarkson University, New York, USA

RESPONSIBILITY:
- Provides strategic leadership for the Chemicals Division by working with various stakeholders and the management team to establish long-term goals, strategies, plans and policies.
- Provides management and operational leadership for the Chemicals team to ensure that the vision, mission and core values of the company are put into practice and that it maintains its competitive edge domestically and in the international arena.

WORKING EXPERIENCE:
- Manufacturing, CCM Chemicals from 2015 to 2017
- Sustainability and Safety Health & Environment, CCM Chemicals from 2010 to 2015
- Engineering, Projects & Chemicals Plant Operations, CCM Chemicals from 1994 to 2010
- Edible Oil Manufacturing and Operations, Felda Mills Corporation from 1991 to 1994

POSITION:
Chief Executive Officer, Polymers

DATE OF APPOINTMENT TO KEY SENIOR POSITION:
1 January 2016

QUALIFICATIONS:
- PH.D (Chemistry), University of Malaya
- Bachelor of Technology, University of Science Malaysia

RESPONSIBILITY:
- Establishes strategic vision for the Polymers Division as well as provides planning and operational leadership to optimise returns from the company's investments and assets.
- Focus on strengthening the Polymers team's capabilities and the company's offerings so that it is well positioned to compete in the global market.

WORKING EXPERIENCE:
- Technology, CCM Chemicals from 2010 to 2015
- Synthomer Sdn. Bhd. from 2001 to 2009
- WRP Asia Pacific Sdn. Bhd. from 1999 to 2001
- Sumirubber Industries Sdn. Bhd. from 1992 to 1995

NOOR AZWAH BINTI SAMSUDIN

49, Malaysian, Female

POSITION:
Head, Legal & Secretarial/Group Company Secretary

DATE OF APPOINTMENT TO KEY SENIOR POSITION:
8 December 2006

QUALIFICATIONS:
- LLB, University of Sheffield, United Kingdom
- Certificate in Legal Practice, Legal Qualifying Board, Malaysia
- Affiliate member of the Malaysian Institute of Chartered Secretaries and Administrators

RESPONSIBILITY:
- Leads and provides proactive, legal, business focused advice to the businesses and internal stakeholders as well as implement legal initiatives and processes across the Group.
- Ensures compliance with corporate statutory and regulatory requirements as well as corporate governance practices across the Group.
- Ensures efficient administration of the corporate secretarial function across the Group.

WORKING EXPERIENCE:
- Edaran Otomobil Nasional Berhad from 2003 to 2006
- MNI Group of Companies from 1995 to 2003

WAN AISHAH IDRIS BINTI MUHAMAD IDRIS

49, Malaysian, Female

POSITION:
Head, Group Risk, Integrity & Assurance

DATE OF APPOINTMENT TO KEY SENIOR POSITION:
13 August 2014

QUALIFICATIONS:
- BA Accounting & Finance, University of South Wales (fka University of Glamorgan), United Kingdom
- Association of Certified Chartered Accountant (ACCA)
- Certified Internal Auditor (CIA)
- Certified Integrity Officer (CeIO)

RESPONSIBILITY:
- Setting of strategic direction and performance objectives for Group Risk, Integrity and Assurance (GRIA) Department.
- Accountable for overall leadership, management and performance of GRIA to ensure provision of efficient, effective and quality services to CCM Group of companies in the areas of risk, integrity and controls.

WORKING EXPERIENCE:
- UEM Group Berhad from 2000 to 2011
- Ilham Daya Sdn Bhd from 1998 to 2000
- Malaysia Airlines Systems Berhad from 1997 to 1998
- Grant Thornton Chartered Accountant (Cardiff, United Kingdom) from 1994 to 1997

Senior Management

NUR MELISSA FERNANDEZ ABDULLAH

47, Malaysian, Female

POSITION:
Head, Program and Communication

DATE OF APPOINTMENT TO KEY SENIOR POSITION:
1 January 2018

QUALIFICATIONS:
- Bachelor of Science (Horticulture), Universiti Putra Malaysia
- Masters of Arts, Communication Management, University of South Australia

RESPONSIBILITY:
- Manages the public relations aspects of CCM Group. Builds and sustains a positive image for CCM Group via various forms of messaging that will positively impact stakeholders which will lead to stronger branding, enhanced reputation and increased customer loyalty.
- Leads the development and execution of broad based, companywide strategic sustainability initiatives, integrating sustainability throughout CCM Group.
- Ensures CCM's sustainability effort enhances business performance and supports the long term interests of the company.

WORKING EXPERIENCE:
- AMB Exhibitions Sdn Bhd from 2004 to 2005
- Damansara Women Specialist Centre from 2003 to 2004
- Medical Online Sdn Bhd from 2001 to 2003
- Isetan of Japan Sdn Bhd from 1997 to 2000

WAN AZMIRRUDIN WAN FADZIR

44, Malaysian, Male

POSITION:
Head, Group Human Capital & Administration

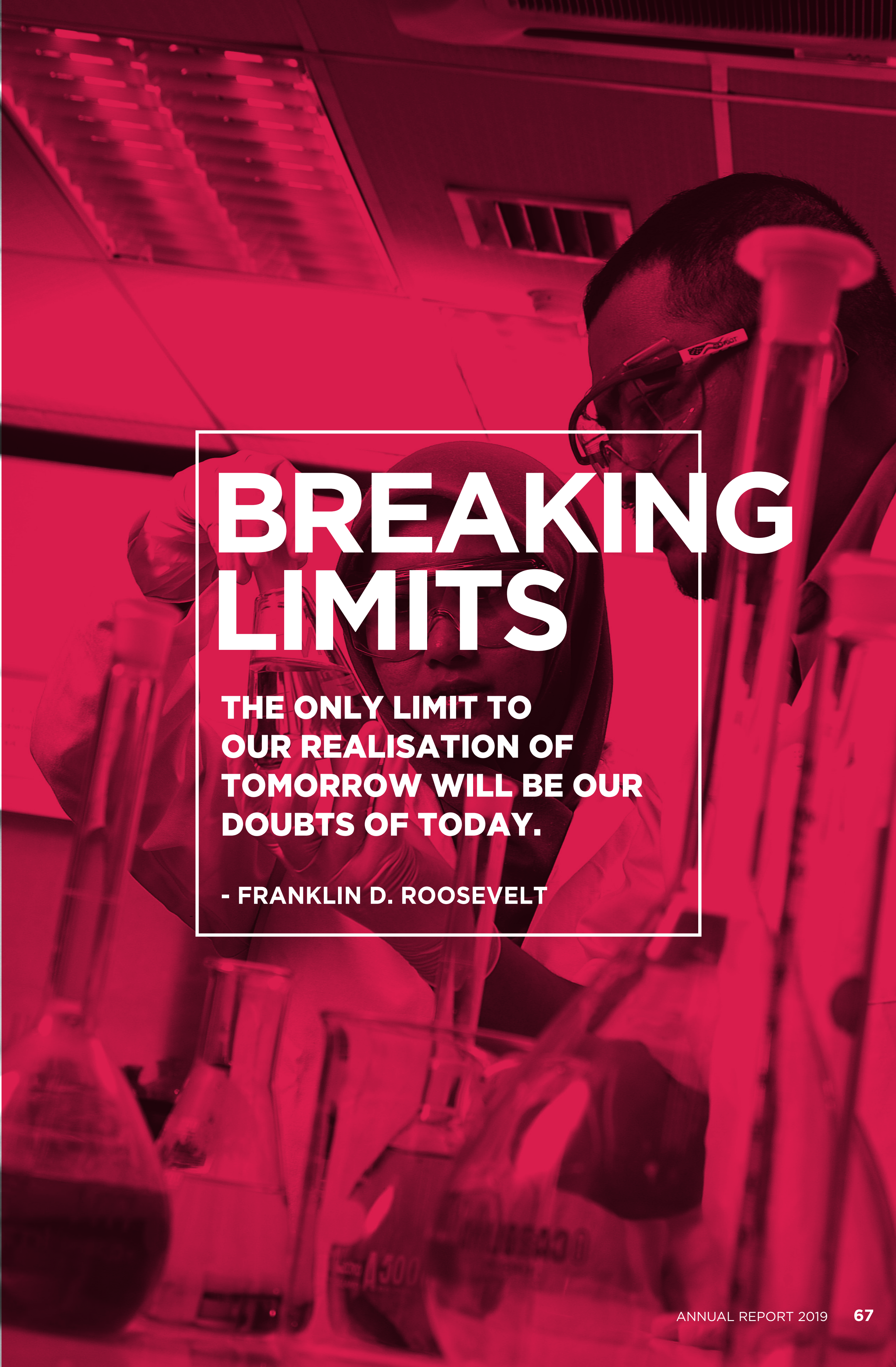
DATE OF APPOINTMENT TO KEY SENIOR POSITION:
1 March 2020

QUALIFICATIONS:
- Bachelor of Accounting (Hons), Universiti Utara Malaysia

RESPONSIBILITY:
- Provides overall Human Resource leadership to the organisation and oversees the development and implementation of the entire spectrum of Human Resource Management.
- Engages in the strategic plan process by supporting the execution of business strategies and plans through the implementation of Human Capital strategies that support short and long-term business objectives.
- Manages the administrative functions of CCM Headquarters. This includes overseeing office management, property management, support services and compliance to the regulatory and statutory requirements to operate effectively and efficiently.

WORKING EXPERIENCE:
- Malay Chamber of Commerce Malaysia from 2003 to 2006
- Solsis (M) Sdn. Bhd from 1999 to 2003

Declaration:
The Senior Management members have NO :
- Family relationship with any director and/or major shareholder.
- Conflict of interest with the company.
- Convictions for offences within the past 5 years and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
- Directorship in public companies and other listed issue.



BREAKING LIMITS

THE ONLY LIMIT TO OUR REALISATION OF TOMORROW WILL BE OUR DOUBTS OF TODAY.

- FRANKLIN D. ROOSEVELT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement outlines Chemical Company of Malaysia Berhad ("CCM" or the "Company") and its subsidiaries' (collectively referred to as the Group) approach towards corporate governance, its key focus areas and future priorities. The Group recognises the importance of having instructive corporate governance disclosures which will allow stakeholders to appreciate the direction that the Group is heading towards and how the outcomes of good corporate governance will be delivered.

This Corporate Governance Overview Statement is augmented with a Corporate Governance Report, which provides detailed disclosures on the application of each Practice as codified in the Malaysian Code on Corporate Governance ("MCCG"). The Corporate Governance Report is available on the Company's website which can be accessed at www.ccmberhad.com/investor-relations.php as well as via the announcement made on the website of Bursa Malaysia Berhad. The Corporate Governance Overview Statement and Corporate Governance Report are made pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and are narrated with reference to the guidance provided in Practice Note 9 of MMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia Berhad.

The Corporate Governance Overview Statement should also be read alongside other statements in this Annual Report (e.g. Statement on Risk Management and Internal Controls, Reports on Board Committees and Sustainability Statement) for a holistic understanding of the Group's corporate governance framework and practices.

Corporate governance approach

The Board recognises that the architecture and implementation of the governance framework is paramount for the effective development of strategy and business plan, the monitoring of Group's performance and the management of risks. Whilst the circumstances of the Group may evolve over time, the Group's overarching governance approach remains consistent and is anchored on the Group's six core values of **Passion, Excellence, Teamwork, Integrity, Responsible and Respect.**

The Group's overall corporate governance approach is to:

- Create a purpose and value driven corporate governance framework by promoting individual accountability;
- Humanise governance through the mastery of intersection between rules, processes, ethics and morality; and
- Drive the application of good governance practices in tandem with the value creation process of the Group.

The Board regularly reviews the Group's corporate governance policies and procedures to ensure they reflect the latest curation of thoughts, market dynamics and best practices whilst simultaneously addressing the needs of the Group. In performing its duties, the Board continuously encourages and promotes meaningful and thoughtful application of corporate governance practices in line with established benchmarks.

Summary of corporate governance practices

In seeking to actualise its corporate governance aspirations, CCM has benchmarked its practices against the relevant promulgations and best practices.

For 2019, CCM has consistently applied all the Practices espoused by MCCG, save for:

- Practice 6.2 (the establishment of a dedicated remuneration committee);
- Practice 7.2 (the disclosure of top five Senior Management on named basis);
- Practice 7.3 (Step-up) (the disclosure of detailed remuneration of each member of senior management on a named basis);
- Practice 11.2 (the adoption of Integrated Reporting); and
- Practice 12.3 (the use of technology to facilitate remote shareholders' participation in general meetings).

In relation to the aforementioned departed Practices, the Company has provided forthcoming, and clear explanations for their non-application. The Board appreciates the line of sight or Intended Outcome outlined in MCCG and has therefore put in place alternative practices, taking into account the Intended Outcomes envisioned by the said Practices of MCCG.

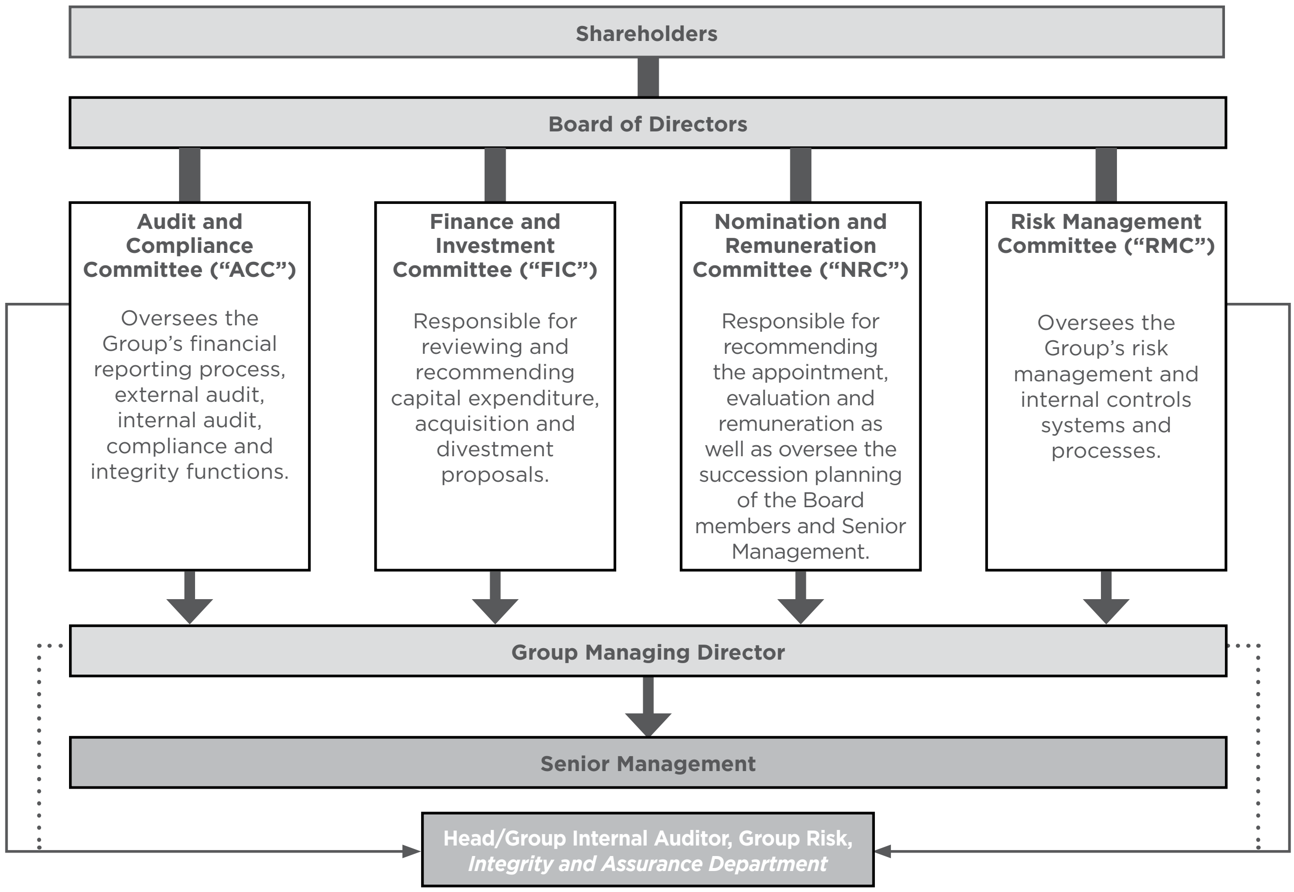
As the Company scales up in size and scope by progressing along its current trajectory, the Board will consider the adoption of the departed Practices as the Company would be better positioned to implement these Practices in substance at that juncture. Whilst CCM does not fall within the ambit of Large Companies[1] as defined by MCCG, the Company has, on its own volition, disclosed measures that the Company has taken or intends to take to adopt the departed Practices as well as the timeframe for adoption of the departed Practices. Further details on the application of each individual Practice of MCCG are available in the Corporate Governance Report.

A summary of CCM's corporate governance practices with reference to the MCCG is outlined below.

Roles and responsibilities of the Board

In an age where boards are expected to be far-sighted and more vigilant than ever, the Board of CCM assumes an active role in setting the strategic direction and providing leadership for the Group. In ensuring the proper management of the affairs of the Group, the Board is cognisant of the need for the Group to operate within a framework of prudent and effective risk management and internal control mechanisms.

Board Committees have been established to assist the Board in its oversight function on specific matters. Whilst oversight of selected responsibility areas is delegated to the Board Committees, the Board nevertheless retains collective oversight and jurisdiction over the Board Committees. The Board Committees reports their activities and findings to the Board and are guided by their respective Terms of Reference.



1 *Large Companies are companies on the FTSE Bursa Malaysia Top 100 Index; or companies with market capitalisation of RM2 billion and above, at the start of the companies' financial year.*

The Board has formalised a Board Charter which serves as an authoritative document that governs the conduct of the Board, Board Committees and individual Directors. The Board Charter sets out the roles, responsibilities and authority of the Board. On an annual basis, the Board undertakes a review of the Board Charter and Terms of Reference of Board Committees to ensure that they remain contemporaneous vis-à-vis latest regulatory developments, stakeholders' expectations and corporate governance best practices.

During the year, the Board and Board Committees have met regularly to deliberate on matters under their purview. Directors have devoted sufficient time to prepare, attend and actively participate during the Board and/or Board Committees meetings. The overarching agenda for the Board during the year was overseeing and supporting Senior Management on the execution of the strategic plan and ensuring that the change in the composition of the board was implemented with no disruption to business. Accordingly, the Board has deliberated on pertinent issues including the Company's annual business plan, annual budget, significant business arrangements, capacity expansion, operational efficiencies, enhanced R&D, financial results as well as key performance indicators. Meeting attendance of individual Directors during the year is outlined below.

Directors	Board	ACC	NRC	RMC	FIC
Executive Director					
Nik Fazila binti Nik Mohamed Shihabuddin	6/6				
Non-Independent Non-Executive Directors					
Dato' Idris bin Kechot[1]	3/3				1/1
Amizar binti Mizuar[2]	6/6		2/2	3/3	6/6
Zainal Abidin bin Jamal[3]	1/1			1/1	
Datin Paduka Kartini binti Haji Abdul Manaf[4]	4/4	3/3	3/3		4/4
Dato' Azmi bin Mohd Ali[5]	5/5			4/4	5/5
Independent Non-Executive Directors					
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah[6]	6/6	5/5	2/2	4/4	
Datuk Anuar bin Ahmad[7]	2/2			2/2	2/2
Raja Azura binti Raja Mahayuddin[8]	2/2	1/1	2/2		
Hasman Yusri bin Yusoff[9]	1/1	1/1			1/1
Dr. Leong Yuen Yoong[10]	1/1			1/1	1/1
Dato' Seri Ir. Dr. Zaini bin Ujang[11]	5/6	5/5		5/5	6/6
Khalid bin Sufat[12]	5/5	4/4	4/4		
Dr. Leong Chik Weng[13]	4/4		3/3		4/4

Chairman Member

Notes:

1 *Appointed as Non-Independent Non-Executive Chairman on 18 March 2019. Appointed as FIC Chairman on 28 May 2019 and resigned as FIC Chairman on 13 September 2019.*

2 *Appointed as NRC member on 28 May 2019 and concurrently, resigned as RMC member on even date.*

3 *Appointed as Non-Independent Non-Executive Director and RMC Member on 20 September 2019 and subsequently re-designated as RMC Chairman on 8 October 2019.*

4 *Retired as Non-Independent Non-Executive Director, ACC member, NRC member and FIC member on 28 May 2019.*

5 *Resigned as Non-Independent Non-Executive Director, RMC Chairman and FIC Member on 8 October 2019.*

6 *Appointed as NRC member on 28 May 2019 and subsequently as NRC Chairman on 11 October 2019. Resigned as RMC member on 18 September 2019.*

7 *Appointed as Independent Non-Executive Director, FIC member and RMC member on 14 June 2019. Subsequently re-designated as FIC Chairman on 13 September 2019.*

[8] *Appointed as Independent Non-Executive Director and NRC member on 21 June 2019. Subsequently appointed as ACC member on 1 September 2019.*

[9] *Appointed as Independent Non-Executive Director, ACC member and FIC member on 13 September 2019. Subsequently re-designated as ACC Chairman on 11 October 2019.*

[10] *Appointed as Independent Non-Executive Director, RMC member and FIC member on 18 September 2019.*

[11] *Resigned as Independent Non-Executive Director, ACC member, RMC member and FIC member on 1 January 2020.*

[12] *Resigned as Senior Independent Non-Executive Director, ACC Chairman and NRC Chairman on 11 October 2019.*

[13] *Retired as Independent Non-Executive Director, NRC member and FIC Chairman on 28 May 2019.*

There is a clear separation of roles between the Chairman of the Board and the Group Managing Director to bring about an effective check and balance mechanism. The Group Managing Director as the "Chief of Management" is responsible for the day-to-day business and activities of the Group and implements the strategies, policies and decisions approved by the Board. The Board has also appointed a Senior Independent Director who chairs the NRC and serves as a sounding board to the Chairman and an intermediary for other Directors when necessary.

In performing their duties, the Board is supported by a suitably qualified and competent Company Secretary. The Company Secretary acts as a corporate governance counsel and provides the Board with periodic updates on the latest regulatory developments and facilitate the implementation of pertinent corporate governance enumerations. The Company Secretary assists in the agenda setting and disseminates complete and accurate meeting materials to Directors in a timely manner in order to facilitate informed and rigorous Board or Board Committee discussions.

As the Board is the pivot of good governance culture, it continuously strives to set the "tone at the top" and cascade ethical values and standards across every level of the Group. As such, the Board has approved a Code of Conduct to govern employees in their day-to-day professional conduct and decision-making process. As part of a far-reaching effort to promote ethical conduct, a Whistleblowing Policy has also been put in place to allow employees and other stakeholders to raise legitimate concerns without fear of retaliatory actions. The Board has also reviewed and made changes to the relevant policies relating to anti-bribery and corruption matters in anticipation of the implementation of Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

Board composition

It is especially imperative for the Board to have an appropriate mix of skills, qualifications and experience that can support the Company's leadership in driving the long-term vision for the Group. The Board, through the NRC, periodically reviews its composition to dovetail with the strategic trajectory of the Company. The combined skills and expertise of Directors provide a breadth and depth of diverse perspectives that can refine the decision making of the Board in pertinent areas.

Appointments to the Board are made via a formal, rigorous and transparent process. In assessing and recommending candidates for directorships, the NRC is guided by the Group's Board Selection and Nomination Procedure which outlines the skills, experience and attributes required in a candidate. The NRC has, in the past, engaged independent search firms and consultants in order to diversify its sourcing for potential Directors.

CCM has a long-standing history of constituting a diverse Board to ensure that the mix and profiles of the Board members in terms of age, ethnicity and gender, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. This has been codified in the Board - capital B Selection and Nomination Procedure. The Board has also stipulated that at least 30% of its Board members comprise women directors at any one time. In this regard, for financial year ended 31 December 2019, the women composition on the Board is 40%. The Company has also met the requirement of having at least 50% independent directors on its Board. As at 31 December 2019, the composition of the independent non-executive directors on the Board is six (6) out of ten (10).

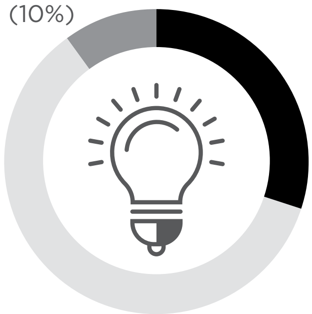
The composition of the Board as at 31 December 2019 as follows:

Name	Position on the Board
Dato' Idris bin Kechot	Non-Independent Non-Executive Chairman
Nik Fazila binti Nik Mohamed Shihabuddin	Group Managing Director
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	Senior Independent Non-Executive Director
Dato' Seri Ir. Dr. Zaini bin Ujang	Independent Non-Executive Director
Amizar binti Mizuar	Non-Independent Non-Executive Director
Datuk Anuar bin Ahmad	Independent Non-Executive Director
Raja Azura binti Raja Mahayuddin	Independent Non-Executive Director
Hasman Yusri bin Yusoff	Independent Non-Executive Director
Dr. Leong Yuen Yoong	Independent Non-Executive Director
Zainal Abidin bin Jamal	Non-Independent Non-Executive Director

Note:
Dato' Seri Ir Dr Zaini bin Ujang resigned as a director of the Company on 1 January 2020.

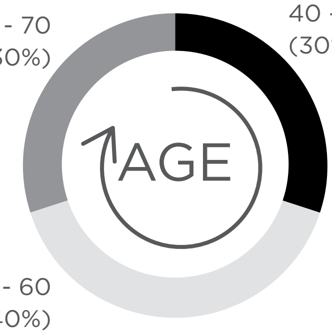
The Board composition as at 31 December 2019 is depicted as per below :

Board Independence

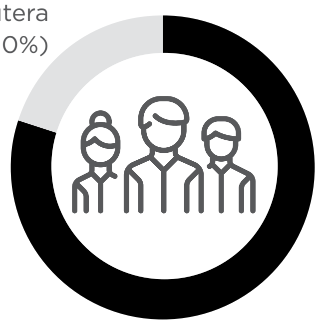


Board Gender Diversity

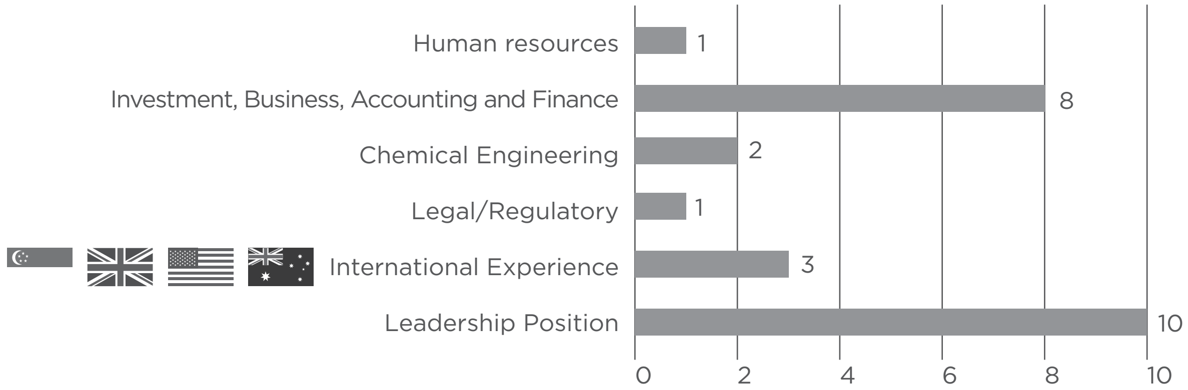
Age (in years)



Ethnicity



Directors' skillsets



On an annual basis, the Board, Board Committees and individual Directors including Independent Directors are subjected to a rigorous evaluation process that effectively review their performance and assess their effectiveness. The assessment is administered using questionnaires that incorporate both qualitative and quantitative criteria, based on a self and peer rating assessment model.

In addition to the aforementioned evaluation, Independent Directors are also subjected to an annual test of independence, which is based on a set of qualitative evaluation criteria, so as to ascertain their continued objectivity and impartiality. As an additional measure to mitigate the risk of entrenchment, CCM has codified a policy stipulation that limits the cumulative (consecutive or intermittent) tenure of Independent Directors to nine (9) years. The Board is of the view that such a quantitative measure would bring about the qualitative outcome of "independence in mind". The Board has also made this policy applicable to all its non-executive directors to ensure good board dynamics and encourage fresh and new ideas.

In 2018, the Board had agreed to enhance the assessment questionnaires to take into account the enumerations of the relevant authoritative corporate governance promulgations including Companies Act 2016, Capital Markets and Services Act 2007, MMLR and MCCG. Where applicable, references were also drawn from other better practices.

Remuneration

A fair remuneration package is critical to attract, retain and motivate Directors and Senior Management personnel. Towards this end, the Board has adopted a Remuneration Policy and Procedures to provide a formal and transparent process for setting the remuneration of Directors and Senior Management.

The Board acknowledges that remuneration is a key component in driving talented and high-calibre individuals to run the business successfully. The Company has adopted a Remuneration Policy and Procedures for Directors and Senior Management whereby, for the Group Managing Director and other Senior Management personnel, the components parts of remuneration are structured so as to link rewards to performance whilst for Non-Executive Directors, the remuneration packages are based on their position in the Board and participation in boardroom activities. Based on the recent Report on Non-Executive Directors Remuneration 2017 released by KPMG, it was noted that the Company is one of the pay leaders in the industrial products sector.

The Board, through its NRC, aims to undertake a review on the remuneration of Directors and Senior Management once every three years.

The remuneration of each of the Directors and five (5) highest paid Senior Management for the period ended 31 December 2019 are as follows:

Directors' fees and benefits paid for FYE 31 December 2019 (1 January 2019 – 31 December 2019) (Company Level)

Name	Fees		Salary	Bonus	Benefits			Total (RM)
					Other Emoluments			
	Board	Committee			Meeting Allowance	Others	Benefits-in-Kind	
NON-EXECUTIVE DIRECTORS								
Dato' Idris bin Kechot (Appointed w.e.f. 18.3.2019)	79,178	2,959	-	-	5,100	0	800	88,037
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	75,000	18,927	-	-	18,200	0	-	112,127
Amizar binti Mizuar	75,000*	16,022*	-	-	17,000	0	-	108,022
Datuk Anuar bin Ahmad (Appointed w.e.f. 14.6.2019)	41,301	9,414	-	-	6,200	0	-	56,915
Raja Azura binti Raja Mahayuddin (Appointed w.e.f. 21.6.2019)	39,863	6,926	-	-	5,000	0	-	51,789
Hasman Yusri bin Yusoff (Appointed w.e.f. 13.9.2019)	22,603	5,272	-	-	3,200	0	-	31,075
Dr Leong Yuen Yoong (Appointed w.e.f. 18.9.2019)	21,575	4,602	-	-	3,000	0	-	29,177
Zainal Abidin bin Jamal (Appointed w.e.f. 20.9.2019)	20,959	2,724	-	-	2,200	0	-	25,883
Dato' Seri Ir Dr Zaini bin Ujang (Resigned w.e.f. 1.1.2020)	75,000	24,000	-	-	21,000	0	-	120,000
Khalid bin Sufat (Resigned w.e.f. 11.10.2019)	58,151	15,506	-	-	14,600	250	-	88,507
Dato' Azmi bin Mohd Ali (Resigned w.e.f. 8.10.2019)	57,534	13,808	-	-	14,800	0	-	86,142
Datin Paduka Kartini binti Hj Abdul Manaf (Retired w.e.f. 28.5.2019)	35,617*	9,732*	-	-	14,900	250	-	60,499

Name	Fees		Salary	Bonus	Benefits			Total (RM)
					Other Emoluments			
	Board	Committee			Meeting Allowance	Others	Benefits-in-Kind	
Dr Leong Chik Weng (Retired w.e.f. 28.5.2019)	30,411	7,299	-	-	11,800	0	-	49,510
TOTAL	**632,192**	**137,191**	**-**	**-**	**137,000**	**500**	**800**	**907,683**
EXECUTIVE DIRECTOR								
Nik Fazila binti Nik Mohamed Shihabuddin	-	-	593,548	300,000	-	364,416	53,302	1,311,266

* Paid to Permodalan Nasional Berhad

Directors' fees and benefits paid for FYE 31 December 2019 (1 January 2019 – 31 December 2019) (Group Level)

Name	Fees		Salary	Bonus	Benefits			Total (RM)
					Other Emoluments			
	Board	Committee			Meeting Allowance	Others	Benefits-in-Kind	
NON-EXECUTIVE DIRECTORS								
Dato' Idris bin Kechot (Appointed w.e.f. 18.3.2019)	79,178	2,959	-	-	5,100	0	800	88,037
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	75,000	18,927	-	-	18,200	0	-	112,127
Amizar binti Mizuar	75,000*	16,022*	-	-	17,000	0	-	108,022
Datuk Anuar bin Ahmad (Appointed w.e.f. 14.6.2019)	41,301	9,414	-	-	6,200	0	-	56,915
Raja Azura binti Raja Mahayuddin (Appointed w.e.f. 21.6.2019)	39,863	6,926	-	-	5,000	0	-	51,789
Hasman Yusri bin Yusoff (Appointed w.e.f. 13.9.2019)	22,603	5,272	-	-	3,200	0	-	31,075
Dr Leong Yuen Yoong (Appointed w.e.f. 18.9.2019)	21,575	4,602	-	-	3,000	0	-	29,177
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Dato' Seri Ir Dr Zaini bin Ujang (Resigned w.e.f. 1.1.2020)	75,000	24,000	-	-	21,000	0	-	120,000

Name	Fees		Salary	Bonus	Benefits			Total (RM)
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	Board	Committee			Meeting Allowance	Others	Benefits-in-Kind	
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Dato' Azmi bin Mohd Ali (Resigned w.e.f. 8.10.2019)	57,534	13,808	-	-	14,800	0	-	86,412
Datin Paduka Kartini binti Hj Abdul Manaf (Retired w.e.f. 28.5.2019)	35,617*	9,732*	-	-	14,900	250	-	60,499
Dr Leong Chik Weng (Retired w.e.f. 28.5.2019)	30,411	7,299	-	-	11,800	0	-	49,510
TOTAL	**632,192**	**137,191**	**-**	**-**	**137,000**	**500**	**800**	**907,683**
EXECUTIVE DIRECTOR								
Nik Fazila binti Nik Mohamed Shihabuddin	-	-	593,548	300,000	600	364,416	53,302	1,311,866

* Paid to Permodalan Nasional Berhad

Remuneration details of the five (5) highest paid Senior Management for the financial year ended 31 December 2019 are as follows:

Remuneration component	Group (RM)	Company [4] (RM)
Salaries	1,948,000	970,000
Bonus	742,000	319,000
Other emoluments[1]	851,000	413,000
Benefits-in-kind[2]	82,000	46,000
Total Senior Management remuneration[3]	3,623,000	1,748,000

Notes:

1 *Comprises Employees Provident Fund ("EPF") and other statutory contributions.*

2 *Comprises medical, car, driver benefits as the case may be.*

3 *Remuneration of the Group Managing Director is disclosed in the board remuneration table as per the application of Practice 7.1 of the MCCG and pursuant to paragraph 11, Appendix 9C of MMLR of Bursa Malaysia Securities Berhad.*

4 *There are only three (3) Senior Management personnel at Company level.*

The remuneration of the five (5) highest paid Senior Management for the financial year ended 31 December 2019 in the corresponding bands of RM100,000 are as follows:

Range of remuneration	Number of Senior Management* personnel	
(RM)	Company#	Group
900,001 - 1,000,000	-	1
800,001 - 900,000	-	1
700,001 - 800,000	-	1
600,001 - 700,000	1	2
500,001 - 600,000	2	-

Note:

* *Remuneration of the Group Managing Director is disclosed in the board remuneration table as per the application of Practice 7.1 of the MCCG and pursuant to paragraph 11, Appendix 9C of MMLR of Bursa Malaysia Securities Berhad.*

\# *There are only three (3) Senior Management personnel at Company level.*

Audit & Compliance Committee

The Board has established an Audit & Compliance Committee ("ACC") to provide a robust and comprehensive oversight on the financial reporting, external and internal audit processes as well as compliance and integrity matters of the Company. The ACC is chaired by an Independent Director, who is different from the Chairman of the Board. The composition of the ACC requires it to possess the financial literacy and business knowledge that are required to have a sound understanding of the financial matters of the Company. Following the changes on the Board, the composition of the ACC was reviewed by the NRC and recommended to the Board for approval. The composition of the ACC currently comprises of wholly independent directors and is chaired by Hasman Yusri bin Yusoff. Hasman was a former key audit partner auditing the CCM Group in 2005 until 2009, and 2011 until 2015.

The ACC has unrestricted access to both the internal and external auditors, who, in turn report to the Board through the ACC. The Board has established a formal and transparent arrangements to maintain an appropriate relationship with the external auditor. This includes adopting policies and procedures to assess the suitability and independence of the external auditor on an annual basis. At the same time, private sessions were held with the external auditor in the absence of Management to ensure open communication and transparency between the ACC and the external auditor. During the year under review, the external auditor has provided assurance that its personnel are and have been independent throughout the conduct of the audit in accordance to the terms of relevant professional and regulatory requirements.

Risk management and internal controls

In order to address risks in an increasingly complex and disruptive global environment, the Board has instituted a stand-alone Risk Management Committee at the Board level to assist in the oversight of existing and emerging risks that are surrounding the Group. A robust risk management and internal control framework that has been established allows the Group to identify, monitor and mitigate key business risks and is thus important in supporting the delivery of long-term value to the Group's stakeholders. The Group's risk management and internal control framework is firmly rooted on the Group's Management and Manual Guidelines, which in turn is aligned to the globally recognised International Organisation for Standardisation (ISO) 31000.

The Group has established an in-house internal audit function ("Group Assurance") which resides within the Group Risk, Integrity and Assurance Department. The Group Internal Auditor reports and make recommendations directly to the ACC. The Group Internal Auditor is accorded with appropriate standing and authority to enable the discharge of its duties with independence and without undue influence. The Group Internal Auditor has unfettered access to the relevant personnel, properties and records within the Group so as to discharge its functions in an unbridled manner.

Communication with stakeholders

As stewards of the Company, the Board strives to foster a candid and transparent relationship with the stakeholders of the Company. Accordingly, the Board seeks to ensure that there is continuous communication and dissemination of information to stakeholders through a plethora of platforms including the Company's website, announcements to Bursa Malaysia Securities Berhad as well as social media sites. The Company's website contains recent announcements, past and current reports to shareholders, including annual reports, sustainability reports, summaries of key financial data, operational briefing presentations as well as copies of recent notices and minutes of general meetings. During the year in review, the Group Managing Director has also supplemented these efforts by engaging potential institutional investors and internal stakeholders through regular briefing sessions and engagements.

The Board has adopted a Communication Policy and Corporate Disclosure Policy that governs communication methods between the Group and its stakeholders.

Conduct of general meeting

The Annual General Meeting ("AGM") serves as an invaluable platform for shareholders to engage the Board and Senior Management in a productive dialogue and provide constructive feedback that contributes to the overall betterment of the Group. During the previous AGM, all Directors were present to provide clear and meaningful response to shareholders' questions. The Lead Partner or representative from the external audit firm would also be present to answer questions from shareholders relating to the external audit process and outcome. Where required the Company's solicitors would also be present to provide clarification on matters involving the Company's legal matters.

In order to encourage shareholders' participation, the Board ensures the location of the general meetings is easy to reach or conveniently accessible to shareholders. In addition, shareholders have been provided with at least 21 days' notice for the upcoming AGM to accord them with adequate time to prepare and ultimately make informed decisions during the AGM. The notice for AGM outlines the resolutions to be tabled during the said meeting and is accompanied with explanatory notes and background information where applicable.

The turnout of shareholders at the Company's AGM has always been encouraging. A total of 493 shareholders and 668 proxies attended the AGM in 2019. The Chairman of the Board chaired the meeting and had provided fair opportunity and time to the shareholders to exercise their rights to raise questions and recommendations. Shareholders present at the AGM were able to cast their vote electronically although this facility has yet to be offered to remote shareholders who were not able to attend the said AGM physically.

Focus areas during the year

The Company continued to focus on its value creation plan in growing the chemicals and polymers business of the Group. The Board played a crucial role in providing the direction on the growth strategy of the Group in order to successfully attain the long-term vision for the Group.

As the Company is also under the close scrutiny of institutional investors, there is no room for neglect in its corporate governance practices. During the year in review, the Board's focus on corporate governance revolved around the following areas:

Strategy Setting

The Board continues to give its focus to charter the strategic direction of the Group to ensure that the Group remains resilient and on a growth trajectory. As part of its deleveraging strategy, the Group has completed the disposal of its non-strategic asset in relation to the Nilai land for the year, of which the proceeds from the said disposal were used to reduce its gearing to a manageable level. The Group also pursued further expansion in its core businesses which included capacity expansion projects for its Chemicals business' chlor-alkali plant in Pasir Gudang and calcium nitrate plant in Shah Alam as well as Polymers business' advanced and innovative research and development centre, which was completed at its Bangi site. The Polymers business is also looking at expanding its cleaner production capacity by 2020.

Projects which contribute to a more efficient operation and sustainable environment using green technology had also been implemented and initiated at both businesses. The Group had recently approved for an investment in a cogeneration plant (COGEN) for its PGW site and is currently installing photovoltaic solar panels for its Polymers' business in Bangi. These investments are expected to reduce the Group's operating cost going forward.

Looking ahead, the Group will continue to implement measures to enhance its cost competitiveness, expand its markets both domestically and regionally and increase its market share in the markets that it is already represented. Focus would also be given on continuous improvement and maximizing value adding initiatives to solidify its business foundation.

Review of corporate governance policies and procedures

Following the expected implementation of Section 17A of the MACC Act 2009 in June 2020, the Group has taken steps to review all its corporate governance policies and procedures which include the anti-bribery and whistle blowing related policies. To ensure that all stakeholders understand and appreciate the revision to the said policies, road shows have been and will continue to be conducted for all its stakeholders through 2019 until 2020. The Group is in the midst of preparing its Business Partners Code of Conduct which will be part of the Group's integrity and anti-corruption programme.

Succession planning

The Board has adopted a policy that the tenure of its directors, be it independent or non-independent, shall not exceed a cumulative term of nine years either in a consecutive service of nine years or cumulative service of nine years with interval. In acknowledging the importance of a seamless succession plan to safeguard the Group's business continuity and retain the confidence of stakeholders, the Board had undertaken a review of its composition and had identified the skills, knowledge/experience, mindset and intrinsic values required to succeed the outgoing independent directors upon their departure.

In this regard, the Company had appointed new board members from a diverse background of skills, professional experience, age, ethnicity and culture to provide different perspective and view-points for better decision making to replace the outgoing directors.

At the same time, the Board has also reviewed the composition of each of its Board Committees to ensure that the Board Committees continue to function effectively upon the departure of its former board members. The Audit and Compliance Committee comprise wholly of independent directors while the Nomination and Remuneration Committee and Risk Management Committee comprise majority of independent directors.

Directors' professional development

Directors were provided with opportunities to develop and maintain their skills and knowledge throughout the year. The Group has organised in-house talks and training sessions facilitated by third party experts to keep Directors abreast on the latest market developments that may impact the Group. Additionally, Directors have discretionally exercised their own initiative to request for external trainings, seminars or conferences that enhance their skill sets and knowledge in areas relevant to the Group.

Visits to the Group's operational sites were also arranged for Directors in order for them to gain first-hand views of the Group's operations and thus, cultivate a holistic understanding of the Group's business. Such exposures were particularly important as the Group streamlined its business during the year in review, with the chemicals and polymers divisions taking centre-stage as the principal business activities of the Group.

The Board has, on a regular basis assessed the adequacy and effectiveness of the training needs of each Directors. During the year in review, the Directors of CCM have participated the following professional development programmes:

Director	Program	Date
Dato' Idris bin Kechot ***(Appointed on 18.3.2019)***	1. PNB Leadership Forum 2019 "Organizational Excellence and From Governance to Performance"	5 March 2019
	2. CCM Group Directors and Senior Management Training No. 01/2019 on Section 17A of the Malaysian Anti-Corruption Commissioner Act ("MACC Act"): Corporate Liability – The Act, The Defense and The Reality	17 April 2019
	3. Malayan Banking Berhad's Induction Programme	17, 21 and 21 May 2019; 24 and 27 July 2019
	4. PNB Leadership Forum II Positive Autocracy – A Leadership Model for Industry 4.0	25 June 2019
	5. Corporate Governance Advocacy Program on Cyber Security in the Boardroom	27 June 2019
	6. Maybank 2019 Annual Risk Workshop	26 July 2019
	7. CCM Group Directors and Senior Management Training No. 02/2019 on Talent Management	23 September 2019
	8. Board Strategy Session: "Future of Banking – Key Trends and Outlook"	27 September 2019
	9. Khazanah Megatrends Forum 2020 – From The Past To The Future Building Our Collective Brain	7 & 8 October 2019
	10. ICDM International Directors Summit 2019	14 & 15 October 2019
	11. FIDE Forum on Leadership In A Disruptive World – The Changing Role of Boards	17 October 2019
	12. PNB Corporate Summit 2019 – Rebooting Corporate Malaysia	30 October 2019
	13. YTI Memorial Lecture 2019 "The Diverse Facets of Leadership"	18 November 2019

Director	Program	Date
Nik Fazila binti Nik Mohamed Shihabuddin	1. CCM Brand Visioning Workshop	16 & 17 January 2019
	2. ICDM Power Talk – Revisiting the Misconception of Board Remuneration	13 March 2019
	3. CCM Group Competency Workshop	10 April 2019
	4. CCM Group Directors and Senior Management Training No. 01/2019 on Section 17A of the Malaysian Anti-Corruption Commissioner Act ("MACC Act"): Corporate Liability – The Act, The Defense and The Reality	17 April 2019
	5. Launch of the Corporate Governance Monitor 2019	26 April 2019
	6. World Chlor-Alkali Conference, Singapore	20 – 21 June 2019
	7. PNB Leadership Forum II Positive Autocracy – A Leadership Model for Industry 4.0	25 June 2019
	8. Bursa Leadership Seminar	23 August 2019
	9. CCM Group Directors and Senior Management Training #02/2019 on Talent Management	23 September 2019
	10. Khazanah Megatrends Forum 2020 – From the Past to the Future Building Our Collective Brain	7 & 8 October 2019
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	1. PNB Leadership Forum 2019 "Organizational Excellence and From Governance to Performance"	5 March 2019
	2. ICDM Power Talk Revisiting the Misconception of Board Remuneration	13 March 2019
	3. BNM – FIDE Forum Dialogue with the Deputy Governor on the Draft Risk Management in Tech Policy	8 April 2019
	4. Audit Committee Conference 2019 – Meeting the New Expectation	15 April 2019
	5. CCM Group Directors and Senior Management Training No. 01/2019 on Section 17A of the Malaysian Anti-Corruption Commissioner Act ("MACC Act"): Corporate Liability – The Act, The Defense and The Reality	17 April 2019
	6. Demystifying the Diversity Conundrum – The Road to Business Excellence	12 June 2019
	7. PNB Leadership Forum II Positive Autocracy – A Leadership Model for Industry 4.0	25 June 2019
	8. 2nd PIDM-FIDE Forum Annual Dialogue with CEO of PIDM	12 July 2019
	9. The Board of Directors of the 21st Century – When Disruption Meets Tradition	6 August 2019
	10. Raising defense – Section 17A MACC Act	27 August 2019
	11. CCM Group Directors and Senior Management Training #02/2019 on Talent Management	23 September 2019

Director	Program	Date
	12. ICDM International Directors Summit 2019	14 & 15 October 2019
	13. FIDE Forum on Leadership in a Disruptive World – The Changing Role of Boards	17 October 2019
	14. PNB Corporate Summit 2019 - Rebooting Corporate Malaysia	30 October 2019
	15. Sustainable Development Goals – (SDG) Summit 2019	6 November 2019
	16. YTI Memorial Lecture 2019 “The Diverse Facets of Leadership”	1 November 2019
	17. Shaping of Boards of Tomorrow	2 December 2019
Amizar binti Mizuar	1. Global Trends & Market Strategy – Economic Prospects & Strategic Investment Decision 2019 Beyond	9 January 2019
	2. Mandatory Accreditation Programme for Board of Public Listed Companies	14 & 15 January 2019
	3. Cyber Crime & Cyber Fraud (Digital Currency & Challenging globalization)	16 January 2019
	4. CCM Group Directors and Senior Management Training No. 01/2019 on Section 17A of the Malaysian Anti-Corruption Commissioner Act (“MACC Act”): Corporate Liability – The Act, The Defense and The Reality	18 April 2019
	5. PNB Leadership Forum 2019 “Organizational Excellence and From Governance to Performance”	5 March 2019
	6. PNB Leadership Forum II Positive Autocracy – A Leadership Model for Industry 4.0	25 June 2019
	7. Leadership in Digital World – Managing Integration of Digital Strategies, Technology Execution and Measurement for Leaders	29 July 2019
	8. PNB-ICLIF Leadership Development Program : Brain-Based Leadership	21 August 2019
	9. CCM Group Directors and Senior Management Training #02/2019 on Talent Management	23 September 2019
	10. PNB-ICLIF Leadership Development Program: Building High Performance Teams	26 September 2019
	11. PNB Corporate Summit 2019 – Rebooting Corporate Malaysia	30 October 2019
	12. PNB Compliance Engagement Session	14 November 2019
	13. Yayasan Tun Ismail Mohamed Ali Berdaftar (YTI) Memorial Lecture 2019 – The Diverse Facets of Leadership	8 November 2019

Director	Program	Date
Datuk Anuar bin Ahmad ***(Appointed on 14.6.2019)***	1. Outlook & Development of Property Industry in Malaysia	16 January 2019
	2. Amendments to Section 17A of the Malaysian Anti-Corruption (MACC) Act 2009	16 January 2019
	3. Cyber Security in the Boardroom	27 June 2019
	4. Ethical Leadership	25 July 2019
	5. CCM Group Directors and Senior Management Training #02/2019 on Talent Management	23 September 2019
	6. 2020 National Budget Briefing	18 October 2019
	7. Workshop on MFRS Update	3 December 2019
Raja Azura binti Raja Mahayuddin ***(Appointed on 21.6.2019)***	1. Speaker at the 2nd Petronas Internal Audit Communication Session 2019 – "Navigating Through the Waves of Disruption: Are We Future Ready?"	3 July 2019
	2. Speaker at the Leadership Discourse 2019 for PPW Bangsar/Pudu/Sentul	4 July 2019
	3. The Role of the Nomination & Remuneration Committee in Human Capital Management	23 July 2019
	4. Speaker at the Big Tulips Summit 2019	20 August 2019
	5. Speaker/Panelist at the ICDL Asia Digital Literacy Day 2019	12 September 2019
	6. Speaker/Panelist at the Woman Who Thrive 2.0 Workshop: Contribution to Communities (Speaker/Panelist)	21 September 2019
	7. Mandatory Accreditation Programme for Directors of Public Listed Companies	23 & 24 September 2019
	8. Khazanah Megatrends Forum 2020 – From The Past To The Future Building Our Collective Brain	7 & 8 October 2019
	9. Speaker at the IIA National Conference 2019 "GRC – Are You Ready?"	8 October 2019
	10. International Day for the Eradication of Poverty Forum	16 October 2019
	11. PNB CORPORATE SUMMIT 2019 – Rebooting Corporate Malaysia	30 October 2019
	12. ICDM Post Budget Breakfast Talk: Spotlight on Budget 2020: What It Means to Companies	31 October 2019
	13. Speaker at the Tulips Converge: This is My Story	2 November 2019
	14. Celebration of the 30% Club Board Mentoring Scheme	8 November 2019
	15. Speaker at the Inspire Sea Programme 2019	18 December 2019

Director	Program	Date
Hasman Yusri bin Yusoff ***(Appointed on 13.9.2019)***	1. Property Market Outlook 2019	12 January 2019
	2. Malaysian Anti-Corruption Commissioner Act 2019 (Section 17A)	12 January 2019
	3. KPMG Tax Summit	14 January 2019
	4. MIDF Green Conference 2019	21 March 2019
	5. Beyond Paradigm Summit	17 July 2019
	6. Corporate Liability and MRCB's internal control	22 July 2019
	7. ACI Breakfast Roundtable	6 August 2019
	8. Leadership Talk by Erik Vermuelen	8 August 2019
	9. Khazanah Megatrends Forum 2020 – From The Past To The Future Building Our Collective Brain	7 & 8 October 2019
	10. KPMG Tax and Business Summit	30 October 2019
	11. CCM Group Directors and Senior Management Training #02/2019 on Talent Management	23 September 2019
	12. Value Based Intermediation for Islamic financial institution	6 November 2019
Dr. Leong Yuen Yoong ***(Appointed on 18.9.2019)***	1. AmBank BizCONFERENCE – Building a Green Business	20 September 2019
	2. CCM Group Directors and Senior Management Training #02/2019 on Talent Management	23 September 2019
	3. Love Malaysia, Buy Made-in-Malaysia: Understanding Malaysian Government Procurement	16 October 2019
	4. PNB Corporate Summit 2019: A Knowledge Sharing Initiative	30 October 2019
	5. Publication of Research on Platts, M.J. and Leong, Y.Y. (2019) Achieving High Soil Fertility, Efficient Fruit Harvesting and Low Carbon Footprint Palm Oil Production in Malaysia. Agriculture Sciences, 10, 1396-1403. https://doi.org/10.4236/as.2019.1010102	October 2019
	6. Mandatory Accreditation Programme for Directors of Public Listed Companies	21 & 22 November 2019
	7. Speaker at a seminar on Understanding Your Paper Supply Chain: Managing Environmental, Social and Reputational Risks.	29 November 2019
	8. Stakeholder Voice in the Boardroom	11 December 2019
Zainal Abidin bin Jamal ***(Appointed on 20.9.2019)***	1. PNB Leadership Forum 2019 "Organizational Excellence and From Governance to Performance"	5 March 2019
	2. Invest Malaysia 2019: Connecting Strength Advancing Performance	19 March 2019
	3. Securities Commission Malaysia – World Bank – IOSCO Asia Pacific Hub Conference 2019	29 & 30 April 2019
	4. Cyber Security Awareness for User: Are You Ready?	30 May 2019
	5. Liquidity Management, FX & Hedging	27 June 2019
	6. Bursa Malaysia Sustainability Advocacy Programme: Recommendations of the Task Force on Climate-related Financial Disclosures	9 July 2019
	7. Risk Workshop : Maybank 2019 Annual Risk Workshop	26 July 2019
	8. Leading Digital Transformation for Competitive Edge	5 September 2019

Director	Program	Date
	9. SC Workshop – Addressing Climate Change through Capital Market	27 September 2019
	10. PNB CORPORATE SUMMIT 2019 – Rebooting Corporate Malaysia	30 October 2019
Dato' Seri Ir. Dr. Zaini bin Ujang ***(Resigned on 1.1.2020)***	1. PNB Leadership Forum 2019 on "Organizational Excellence on From Governance to Performance"	5 March 2019
	2. Powertalk "Revisiting the Misconception of Board Remuneration."	13 March 2019
	3. PNB Leadership Forum II Positive Autocracy – A Leadership Model for Industry 4.0	25 June 2019
	4. CCM Group Directors and Senior Management Training #02/2019 on Talent Management	23 September 2019
	5. ICDM International Directors Summit	14 & 15 October 2019
	6. PNB Corporate Summit 2019 – Rebooting Corporate Malaysia	30 October 2019
Khalid bin Sufat ***(Resigned on 11.10.2019)***	1. Value Based Intermediation (VBI)	24 January 2019
	2. PNB Leadership Forum 2019 "Organizational Excellence and From Governance to Performance"	5 March 2019
	3. EPF Thought Leadership Future Fit - Internet Business Success Stories	6 March 2019
	4. Corporate Liability Under MACC Act 2018 - New Amendment Implication for Directors	19 March 2019
	5. FIDE Dinner Talk - Digital Assets: Global Trends - Legal Requirements & Opportunities for FIs	26 March 2019
	6. Audit Committee Conference 2019 - Meeting the new expectations	15 April 2019
	7. FIDE Forum: Rethinking Strategy - Strategy in highly VUCA environment	23 April 2019
	8. FIDE Masterclass - Cybersecurity Unseen Threats	18 June 2019
	9. Islamic Finance for Board (IF4BoD) - Appreciation of Shariah Principles - Value Propositions - Diverse Perspectives	10 & 11 July 2019
	10. Digital to The Core - Board Leadership Series - Key Success Factors in Digitalisation	4 October 2019
	11. MIA International Accountants Conference - Updates on the latest accounting profession vis-à-vis new technologies	22 & 23 October 2019
	12. Corporate Governance – Enhancement on MACC Act Section 17A	21 November 2019

Director	Program	Date
Dato' Azmi bin Mohd Ali ***(Resigned on 8.10.2019)***	1 PNB Leadership Forum 2019 "Organizational Excellence – From Governance to Performance"	5 March 2019
	2. Conducted a talk for District Officers of Kelantan on commercial service, agreements/contracts & negotiations: a. Land Use and Land Development; b. Liveable Cities Comparison with Kelantan; c. What Kelantan can learn from liveable cities and successful municipal council (i.e. Melaka & Penang); d. Factors determining attraction of investments; e. Negotiating property development deal/property joint venture deal.	11 March 2019
	3. Conducted a 1-Day Lawyering Skill Workshop on Practical training: Becoming Lawyers/In House Counsels Par-Excellence	13 March 2019
	4. Doing Business Globally	11 April 2019
	5. CCM Group Directors and Senior Management Training No. 01/2019 on Section 17A of the Malaysian Anti-Corruption Commissioner Act ("MACC Act"): Corporate Liability – The Act, The Defense and The Reality	17 April 2019
	6. Conducted a 2-Day Practical Workshop on Hands-on Drafting & Clause-by-Clause Analysis of Major Commercial & Corporate Contracts	24 & 25 April 2019
	7. In-house Directors' Training: • MACC Amendment Act • Industrialised Building System	10 June 2019
	8. PNB Leadership Forum II Positive Autocracy – A Leadership Model for Industry 4.0	25 June 2019
	9. CG Advocacy Program – Cyber Security in the Boardroom	27 June 2019
	10. Directors' Duties under the UK Companies Act 2006 and Contract Exclusion Clauses by John Vercoe	3 July 2019
	11. Panelist for the 6th IER-Enterprise Risk Management: Dealing with the New Wave	9 July 2019
	12. Conducted a talk for the Trustees of Lembaga Zakat Selangor (MAIS) on "Building High Performance Board"	5 August 2019
	13. Speaker at the International Investment Opportunities and The Ensuing Legal Work Seminar in Kuala Lumpur on "Improving Business in Malaysia and Creating Awareness Amongst the Legal Fraternity: A Practitioners Perspective"	8 August 2019
	14. Conducted a 2-Day Practical Workshop on Hands-on Drafting & Clause-by-Clause Analysis of Major Commercial & Corporate Contracts	19 & 20 August 2019
	15. Panelist at CIBFM-SIDC Directors' Forum Topic: Board's Roles and Responsibilities: Moving Forward	21 August 2019

Director	Program	Date
	16. Speaker at the International Investment Opportunities and The Ensuing Legal Work Seminar in Penang on "Improving Business in Malaysia and Creating Awareness Amongst the Legal Fraternity: A Practitioners Perspective"	11 September 2019
	17. Business Foresight Forum 2019 – New Business Directions 2025: Catalysts for Change	19 September 2019
	18. CCM Group Directors and Senior Management Training #02/2019 on Talent Management	23 September 2019
	19. Speaker at the International Investment Opportunities and The Ensuing Legal Work Seminar in Johor Bahru on "Improving Business in Malaysia and Creating Awareness Amongst the Legal Fraternity: A Practitioners Perspective"	24 September 2019
	20. Moderator at the ReUNITES 2019: International Trade – Risk Vs Opportunities	1 October 2019
	21. Sole Speaker at Alsa Legal Workshop for Law Students of Faculty of Law, University of Hasanuddin, Ujung Padang Indonesia. Topics on: a. Commercial Law and Globalization; and b. Cross-Border Legal Practice.	5 October 2019
	22. ICDM International Directors Summit	14 & 15 October 2019
	23. Supernova Summit	21 October 2019
	24. Speaker at a 1-Day Seminar on Anti-Corruption: Governance & Accountability Under the New Section 17A MACC Act 2000 (title: Battling Corruption)	22 October 2019
	25. Conducted a Talk for Koperasi Tentera. Presenting a paper title: Corporate Liability Offence, the Impact of Section 17A of the MACC Act 2009	25 October 2019
	26. PNB Corporate Summit 2019 – Rebooting Corporate Malaysia	30 October 2019
	27. Conducted a Talk for Bar Council Kelantan. Topic: Building a Law Firm Empire	4 November 2019
	28. Speaker at PAUM Public Talk. Topic: Business and Legal Issues in Cross-Border Mergers & Acquisitions by Malaysian Companies Case Studies	5 November 2019
	29. Setia Risk Forum	22 November 2019
Datin Paduka Kartini binti Haji Abdul Manaf ***(Retired on 28.5.2019)***	1. PNB Management Retreat 2019	17 to 19 January 2019
	2. A Boardroom Colloquium on Innovation Governance	14 February 2019
	3. PNB Leadership Forum 2019 "Organizational Excellence and From Governance to Performance"	5 March 2019
Dr. Leong Chik Weng ***(Retired on 28.5.2019)***	1. Asia Cyber Channel Summit 2019	19 & 20 March 2019

Corporate governance priorities (2019 and beyond)

As the Company strives forward, the Board will accordingly continue to implement improvement measures in the area of corporate governance. More specifically, the Board has identified the following forward-looking agenda items to propel the Group forward in its corporate governance objectives.

Risk management

The Board continually reviews the prevailing risk management framework with a view of reflecting the rationalised strategic direction of the Group. As the Group continues to streamline its business and accord greater focus on the chemicals and polymers segments as its principal business activities, the Group's risk management framework has to be primed for these changes.

In order to facilitate this process, the Group is seeking to deploy a more data-driven risk monitoring and reporting mechanism which can support and provide more granular insights for informed decision making. Advanced data analytics capabilities will enable clearer visibility into the challenges associated with managing the manifold risks in key areas such as operations, regulatory compliance and supply chain.

Moreover, the Board and the Risk Management Committee will seek to proactively engage the Executive Risk Management Committee and the Group Risk, Integrity and Assurance Department in regular updates and discussions on risk-appetite dialogue so as to reinforce a two-dimensional risk management communication (i.e. top down and bottom-up risk management approach).

Following the increased intensity of issues affecting the sustainability of the business, such as climate change, cybersecurity, global pandemic and the effectiveness of the Group's business continuity plan is also a key focus area for review to maintain the financial viability of the Group.

Strengthening the Anti-Corruption Initiatives

The Company has always been in support of the Government's initiatives in its fight against corruption. The signing of the Corporate Integrity Pledge in May 2014 marked the Company's commitment to work towards creating a business environment that is free from corruption. The effort to combat corruption was also shared with suppliers when the Company introduced the Integrity Pact in 2015. In the subsequent years, trainings on integrity and anti-corruption were given to both internal and external stakeholders to build awareness.

To prepare companies for the upcoming enforcement of the Corporate Liability Act in 2020, the National Centre for Governance, Integrity and Anti-Corruption (GIACC) has issued the Guidelines on Adequate Procedures (Guidelines) in December 2018. Action plans, based on the Guidelines, have been identified and formulated. One of the key initiatives to be conducted in line with the recommendations in the Guidelines is the ISO 37001 Anti-Bribery Management System (ABMS) certification.

The GIACC has also recently launched the National Anti-Corruption Plan (NACP), which outlines the Government 5-year plan in addressing the issues on corruption. Whilst the initiatives in the NACP address mainly the public sectors, the elements on strengthening the Corporate Governance within the CCM Group will be looked into for implementation, where appropriate.

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Corporate reporting

Although the Company is not a Large Company and therefore is not subjected to Practice 11.2 of MCCG (i.e. adopting Integrated Reporting), CCM nevertheless wishes to benchmark itself against such renowned practice. In the long run, the Board intends to undertake a readiness assessment and gauge the necessary measures to transit from CCM's prevailing corporate reporting regime into Integrated Reporting.

CCM has consistently included a summary of its sustainability activities in a form of a report since 2016. In 2018, CCM has successfully produced its first Sustainability Report, in line with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, which included the formulation of an overarching sustainability strategy to drive the Group forward in its initiative. The Sustainability Report also highlights the results of the materiality assessment and identifies the priority areas which are of importance and relevant to the Group's stakeholders and pivotal to the success of the Group's business. CCM has been awarded "The Most Sustainable Practices in Environmental Management" in the Chemical category for Malaysia. In addition, CCM is one of the constituents of the FTSE4Good Index Series.

These efforts and recognitions will gradually position the Company towards the adoption of integrated reporting as it grows in scale and scope. The Company will seek to embed the process of integrated thinking into its activities to better streamline its connectivity of reporting from management, its business analysis and decision-making process.

Leveraging Technology

The Group is committed to having open, clear and timely communications with its stakeholders, both internally and externally. It has embarked on an e-polling initiative at general meetings for shareholders who are physically present at the meeting since 2017. However, for 2019 the Company has yet to facilitate voting in absentia and remote participation by shareholders at general meetings, due to its currents size which is relatively small and shareholders which are mainly concentrated locally instead of overseas.

In the midst of the uncertainty surrounding the COVID-19 outbreak and guidelines and recommendations issued by the government and the relevant regulatory authorities, the Company has decided to leverage on available technology and fast-track the implementation of voting in absentia and remote participation by shareholders at the forthcoming annual general meeting of the Company. Shareholders would be able to participate virtually through a live webcast to ask questions or seek clarification at the AGM.

REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

The Board is pleased to issue the following report of the Audit and Compliance Committee and its activities during the financial year ended 31 December 2019.

Composition of Audit and Compliance Committee and Meetings

During the year under review, there were changes to the composition of the Audit and Compliance Committee following the retirement and resignations as well as appointments of new directors from and to the Company. In determining the composition of the Committee, the Company has taken steps to ensure that its composition is in line with the best practice of the Malaysian Code on Corporate Governance. The Company has also taken into account the experience and qualification of each member as well as their ability to devote time, character and integrity in ensuring the effective function of the Committee.

The composition of the Audit and Compliance Committee currently stands at three (3), all of whom are Independent Non-Executive Director.

A total of five (5) meetings of the Audit and Compliance Committee were held during the year. The status of directorship and attendance record of each of the members during the financial year, were as follows:

Name of Directors and Status	No. of Meetings Attended
Hasman Yusri bin Yusoff ***Chairman, Independent Non-Executive Director*** (Appointed as Member w.e.f. 13.9.2019 and subsequently re-designated as Chairman of the Committee w.e.f. 11.10.2019	1/1
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah ***Member, Senior Independent Non-Executive Director***	5/5
Raja Azura binti Raja Mahayuddin ***Member, Independent Non-Executive Director*** (Appointed as Member w.e.f. 1.9.2019)	1/1
Dato' Seri Ir. Dr. Zaini bin Ujang* ***Member, Independent Non-Executive Director*** (Resigned as Member and Director w.e.f. 1.1.2020)	5/5
Khalid bin Sufat* ***Chairman, Senior Independent Non-Executive Director*** (Resigned as Chairman of the Committee and Director w.e.f. 11.10.2019)	4/4
Datin Paduka Kartini binti Hj. Abdul Manaf* ***Member, Non-Independent Non-Executive Director*** (Retired as Member and Director w.e.f. 28.5.2019)	3/3

Note:

* *The Company has adopted a policy of limiting the tenure of its director, be it independent or non-independent director, to nine (9) years of service.*

The details on the Terms of Reference of the Audit and Compliance Committee can be found on the Company's website at www.ccmberhad.com.

SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR

1. **Financial Reporting Process**

    i) Reviewed the quarterly reports in respect of the results to ensure compliance to the Malaysia Financial Reporting Standards and regulatory requirements and recommended to the Board for subsequent release to Bursa Malaysia.

    ii) Reviewed the notes to the draft announcements of the audited and unaudited financial statements to Bursa Malaysia, to ensure compliance to the regulatory requirements.

2. **External Audit Function**

    i) Reviewed the external auditor's audit plan and engagement strategy for the financial year ended 31 December 2019, covering the audit focus area, which also included a review on the IT systems, audit materiality and methodology.

    ii) Reviewed the external auditor's report for the financial year ended 31 December 2018, including matters relating to adjustments arising from the external audit review and adequacy of disclosures, prior to making recommendations to the Board for approvals.

    iii) Deliberated on the observations highlighted by the external auditors arising from the interim and final audits, and the respective management action plans and status updates.

    iv) Reviewed the external auditor's management letter and management's responses.

    v) Held private meetings and discussions with the external auditors to allow for discussions on matters of concern.

    vi) Evaluated the performance, objectivity and independence of the external auditors in line with the Company's Policy on External Auditor and made recommendations to the Board on the re-appointment and audit fees.

    vii) Reviewed the Directors' Statement on Risk Management and Internal Control (SORMIC) for inclusion in the 2019 Annual Report. The SORMIC was supported by the Annual Assurance Statement on Risk Management and Internal Controls, which were signed off by the Group Managing Director.

3. **Internal Audit Function**

    i) Reviewed the scorecard and status reports of internal audit activities of the Group, on a quarterly basis, to ensure that all planned activities were properly carried out.

    ii) Deliberated on the internal audit reports prepared by the Group Internal Auditor, as well as the agreed Management's action plans and deadlines for implementation and where necessary, instructed additional actions to be taken by Management in addressing the audit issues.

    iii) Monitored the status of corrective actions taken by Management, on quarterly basis, to ensure that all audit issues are adequately addressed within the agreed timeline.

    iv) Ensured the recommended principles and best practices of the Malaysia Code on Corporate Governance are implemented throughout the Group.

    v) Reviewed and recommended to the Board on special projects/corporate exercises entered into with Related Party(ies) so as to ensure that the terms are not more favourable to the Related Party(ies) than those generally available to the public and not to the detriment of the minority shareholders' and that they are conducted at arms' length and on normal commercials terms.

vi) Held private meetings and discussions with the Group Internal Auditor on significant audit and internal control matters.

vii) Reviewed and approved the 2020 Annual Internal Audit Plan to ensure adequate coverage of the Group's operations.

viii) Reviewed the 2020 budget and Key Performance Indicators of the Group Risk, Integrity and Assurance Department.

4. Compliance and Integrity Function

i) Reviewed related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

ii) Reviewed all concerns raised through the Whistleblowing Hotline and authorised investigation(s), where necessary.

iii) Deliberated on special investigation reports prepared by the Group Integrity Auditor and provided feedback on the actions taken by Management on the issues at hand. The progress of the significant cases was monitored until their closure.

iv) Reviewed and recommended to the Board the proposed revision to the policies relating Anti-Bribery & Corruption matters, i.e. Gifts, Hospitality and Entertainment Policy and Whistle Blowing Policy.

v) Monitored the Group's compliance with environmental, safety and health regulations and other regulations such as the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act"), Competition Act 2010, Whistleblower Protection Act 2010, Witness Protection Act 2009 and Data Protection.

vi) Ensured the Group's communication and training programmes on ethics, business integrity and Section 17A of the MACC Act were effective in reinforcing ethical values, integrity and further enhance good corporate governance.

STATEMENT ON INTERNAL AUDIT FUNCTION

The Group internal audit function (which resides in the Group Risk, Integrity & Assurance Department) conducted all audit assignments within the Group, supports the Audit and Compliance Committee by providing an independent, objective assurance and consulting services designed to add value and improve the company's operations.

(i) Reporting Line

The internal audit function's purpose, authority and responsibilities are stated in the Internal Audit Charter, which is approved by the Audit and Compliance Committee. The Charter also specified the positioning of the internal audit function that reports directly to the Audit and Compliance Committee, to promote independence and enable it to maintain objectivity to render unbiased judgements. The principal responsibility of the internal audit function is to undertake regular and systematic audit assessments on the operations of the CCM Group of Companies so as to provide reasonable assurance that such internal control systems and governance processes are adequate and continue to operate effectively and efficiently in achieving the objectives of the Group.

(ii) Audit Planning and Work Done

Adopting a risk-based approach after evaluation and assessment of risks at Company and Group level, the Group internal audit function formulated an Annual Audit Plan, which was reviewed and approved by the Audit and Compliance Committee. The scope of the Annual Audit Plan covers all business units and operations of the Company and its subsidiaries.

Group Integrity & Assurance Department adopts the COSCO Internal Control Framework in conducting the audit assignments, which covered 5 elements of internal controls, namely:

- Control Environment;
- Risk Assessment;
- Control Activities;
- Information and Communication; and
- Monitoring.

In 2019, the areas under review included:

- Procurement;
- Sales and Marketing;
- Logistics and Distributions;
- Operations; and
- Human Resource.

The Internal Audit reports, which included issues and action plans, were presented to and discussed with the Management. The Group internal audit function subsequently monitored the implementation of the agreed action plans to ensure satisfactory closure of audit issues. The reports together with follow-up action plans and implementation status were then submitted and presented to the Audit and Compliance Committee for their deliberation and subsequent approval.

(iii) Internal Audit Resources and Cost

All audit assignments conducted in 2019 was carried out by three (3) auditors. All auditors possess accounting background, except one with an Engineering background.

The total expenditure incurred for Group Risk, Integrity & Assurance Department for the financial year ended 31 December 2019, which amongst others included departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. was RM1.137 million.

STATEMENT ON GROUP INTEGRITY FUNCTION

The Group Integrity Unit (of the Group Risk, Integrity & Assurance Department) reports to the Audit and Compliance Committee on all integrity matters. The Group Integrity Unit is responsible for, amongst others, conducting programmes to further inculcate and enhance integrity in the Group's culture, managing the CCM Whistleblowing hotline, enhancing business practices to further improve governance.

The key activities in 2019 were as follows:

i) Conducted Board of Director and Senior Management training entitled "Corporate Liability – The Act, The Defence and The Reality".
ii) Revision of policies relating to Integrity matters, namely the Gifts, Entertainment and Hospitality Policy, and the Whistle Blowing Policy.
iii) Conducted integrity roadshows for employees in Klang Valley and Pasir Gudang to raise awareness and educate on all of the Group's integrity policies.
iv) Conducted an Integrity Assessment for all employee to gauge the level of integrity within the Group.

REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The Board is pleased to issue the following report of the Nomination and Remuneration Committee and its activities during the financial year ended 31 December 2019.

Composition of Nomination and Remuneration Committee

During the financial year under review, there were changes to the composition of the Committee following the retirement and resignations from as well as new appointments to the Board. In determining the new composition of the Committee, due regard was given to the experience, skills and knowledge of the respective Board members to ensure continuity of policies and directions as well as effective functioning of the Committee.

The current composition of the Committee stands at three (3) members, all of whom are Non-Executive Directors.

A total of five (5) meetings were held during the year. The attendance record of each member during the financial year is as follows:

Name of Directors and Status	No. of Meetings Attended
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah ***Chairman, Senior Independent Non-Executive Director*** (Appointed as Member w.e.f. 28.5.2019 and subsequently re-designated as Chairman of the Committee w.e.f. 11.10.2019)	2/2
Amizar binti Mizuar ***Member, Non-Independent Non-Executive Director*** (Appointed as Member w.e.f. 28.5.2019)	2/2
Raja Azura binti Raja Mahayuddin ***Member, Independent Non-Executive Director*** (Appointed as Member w.e.f. 21.6.2019)	2/2
Khalid bin Sufat* ***Chairman, Senior Independent Non-Executive Director*** (Resigned as Chairman of the Committee and Director w.e.f. 11.10.2019)	4/4
Dr. Leong Chik Weng* ***Member, Independent Non-Executive Director*** (Retired as Member and Director w.e.f. 28.5.2019)	3/3
Datin Paduka Kartini binti Hj Abdul Manaf* ***Member, Non-Independent Non-Executive Director*** (Retired as Member and Director w.e.f. 28.5.2019)	3/3

Note:

* *The Company has adopted a policy of limiting the tenure of its director, be it independent or non-independent director, to nine (9) years of service*

The details on the Terms of Reference of the Nomination and Remuneration Committee can be found on the Company's website at www.ccmberhad.com.

Activities during The Financial Year

During the year, the Committee undertook the following activities for the Group:

1. Compension and Benefits

i) Reviewed and recommended for approval of the Board the Performance Related Bonus (PRB, 2018) and Performance Related Increment (PRI, 2019) for the Group;

ii) Reviewed and recommended for approval of the Board, the Performance Discretionary Bonus for the Group Managing Director and Key Responsible Persons for financial year 2018;

iii) Reviewed and recommended to the Board for approval of shareholders at the Annual General Meeting, the Board remuneration and benefits.

2. Board Succession, Evaluation and Training

i) Recommended for approval of the Board, the appointment of new Directors within the CCM Group based on the Board Nomination and Selection Procedure which outlines the skill sets, knowledge and experience, mindset and core values that is required of a potential candidate;

ii) Deliberated on the Board Succession Planning, taking into account the diversity aspect of the Board composition and tabled the same for discussion and approval of the Board;

iii) Reviewed and recommended for approval of the Board, the appointment, renewal of contract of service and the remuneration package of Group Managing Director;

iv) Reviewed and recommended for approval of the Board, the appointment of Non-Executive Directors and Key Responsible Person of the Group;

v) Reviewed and recommended for approval of the Board, the Directors' casual vacancy and retirement by rotation;

vi) Reviewed the result of the 2018 Board Effectiveness Assessment of the Board of Directors and Committees of the Board which included the Audit and Compliance Committee, Risk Management Committee and Nomination and Remuneration Committee, and recommended improvement plans;

vii) Ensured that all Directors received appropriate continuous training programmes in order to keep abreast with developments in the relevant industry, statutory and regulatory requirements;

3. Performance Management and Talent Development

(i) Established, reviewed and recommended for approval of the Board the Group Managing Director and Key Responsible Persons' Key Performance Indicators (KPIs) and monitors their performance against the established KPIs;

(ii) Reviewed and deliberated the Talent Management Framework and Succession Planning for the Group and monitors the implementation of such framework and plan.

(iii) Reviewed and monitors the Workforce Demographics of the Group

4. Other Matters

Considered other matters as referred by the Board, from time to time.

REPORT OF THE RISK MANAGEMENT COMMITTEE

The Board is pleased to issue the following report on the Risk Management Committee and its activities during the financial year ended 31 December 2019.

Composition of Risk Management Committee and Meetings

The Committee saw changes to its composition for the year under review following the resignations of the Committee members as well as new appointments to the Board. A review of the composition of the Committee was undertaken to ensure that it consists of members of diverse skills and experiences to address the risks relating to the Group.

The current composition of the Committee stands at three (3) members, all of whom are Non-Executive Directors.

A total of five (5) meetings were held during the financial year. The status of directorships and attendance record of each of the members during the financial year were as follows:

Name of Directors and Status	No. of Meetings Held
Zainal Abidin bin Jamal ***Chairman, Non-Independent Non-Executive Director*** (Appointed as Member w.e.f. 20.9.2019 and subsquently re-designated as Chairman of the Committee w.e.f. 8.10.2019)	1/1
Datuk Anuar bin Ahmad ***Member, Independent Non-Executive Director*** (Appointed as Member w.e.f 14.6.2019)	2/2
Dr. Leong Yuen Yoong ***Member, Independent Non-Executive Director*** (Appointed as Member w.e.f. 18.9.2019)	1/1
Dato' Seri Ir. Dr. Zaini bin Ujang* ***Member, Independent Non-Executive Director*** (Resigned as Member and Director w.e.f. 1.1.2020)	5/5
Dato‘ Azmi bin Mohd Ali* ***Chairman, Non-Independent Non-Executive Director*** (Resigned as Chairman of the Committee and Director w.e.f. 8.10.2019)	4/4
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah ***Member, Independent Non-Executive Director*** (Resigned as Member w.e.f. 18.9.2019)	4/4
Amizar binti Mizuar ***Member, Non-Independent Non-Executive Director*** (Resigned as Member w.e.f. 28.5.2019)	3/3

Note:

* *The Company has adopted a policy of limiting the tenure of its director, be it independent or non-independent director, to nine (9) years of service.*

The details on the Terms of Reference of the Risk Management Committee can be found on the Company's website at www.ccmberhad.com.

ACTIVITIES DURING THE YEAR

Risk Reporting

Quarterly reports to RMC highlighting the Group's Risk Profile to enable Board and Management to focus on, appraise and consider key risks affecting the Group's businesses and operations and the system of internal control necessary to manage and mitigate such risks. The RMC reviewed the top risks for the Group and its business divisions. The reports highlight the movements of risk ratings as well as the progress of treatment plans that were identified to mitigate the risks.

The top risks for 2019 are in the following areas:

1. Operational Risk

   The management of operational risks (such as those relating to health and safety, production, distribution, compliance) is closely monitored by respective Risk Owners, with risk mitigation plans proposed and implemented. Risk awareness workshops were conducted to create a risk-aware culture, which would ensure greater understanding of the importance of risk management, and that its principles are embedded in key operational processes. The workshops provided reasonable assurance that significant risks were identified and addressed. In total two (2) risk workshops were conducted which covered the Corporate Office and the Chemicals business.

2. Project Risk

   All projects that require the approval from the Finance and Investment Committee ('FIC'), is subjected to risk assessments, where the risk registers resulting from the assessment together with the mitigation plans are included in the projects' proposals. Project risk updates post implementation of the projects are tracked and reported as part of the risk management reporting process.

3. Competition Risk

   The Group continues to review current business status against its competitors and market. Strategies are developed, reviewed and updated to ensure its relevance in maintaining CCM's competitive position. These strategies are explained in the Group Managing Director's operations review.

4. Financial and Liquidity Risk

   The Group is exposed to various financial risks relating to credit, liquidity, foreign currency, interest rates and exchange rates. The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are explained in the financial statements.

5. Culture Building

   Risk management culture is continuously inculcated throughout the organization through continuous monitoring and planned risk review sessions by the Group Risk Management unit (GRM).

6. Emerging Risk Monitoring

   The annual Global Risk Report provides insights into the emerging risks for continuous assessment and monitoring. This assessment highlights the emerging risks that may have impact on the Group's businesses and operations to enable Management to proactively develop internal controls necessary to manage these risks. The emerging risk that have been identified to have potential impact on the Group are 'Extreme Weather', 'Water Crisis' and 'Cyber Attack'. Controls have been developed to mitigate these risks.

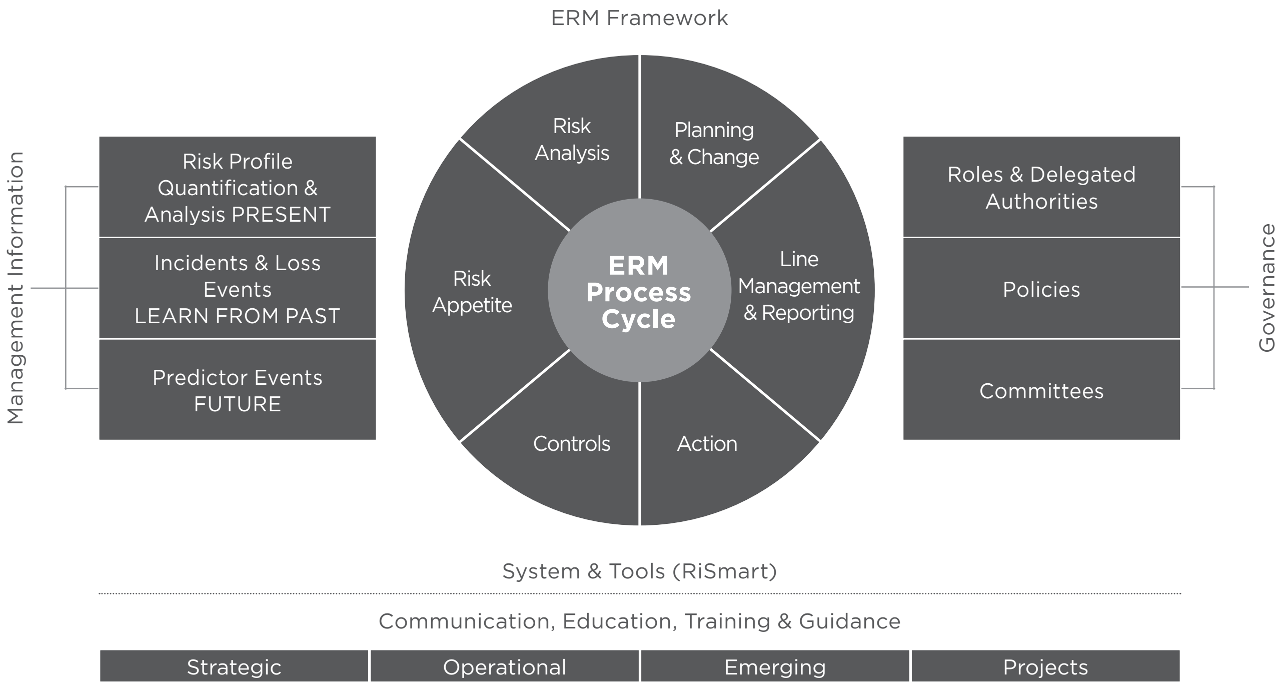
7. Review on Specific Matter

   The Management presented to the RMC an overview of the safety and environmental risks affecting the Pasir Gudang operations and the controls that are in place to mitigate the identified risks. The presentation also includes measures taken to address the issues arising from the Sungai Kim Kim incident.

RISK MANAGEMENT FUNCTION

The Group's Risk Management Committee ("RMC") is supported by an in-house risk management function, which resides in the Group Risk, Integrity and Assurance Department. The Group Risk Management (GRM) Unit provides risk advisory and supports various Boards, Executive and Division Risk Committees in the Group in all matters of Enterprise Risk Management (ERM).

The ERM framework defines the policy and objectives and sets the risk reporting structure. The framework structure includes risk profiling of current and historical risk information to anticipate probable future exposures. The framework ties into the Group's governance policies and guidelines via deliberations at various risk committees. The framework operates within the context of Strategic, Operational, Emerging and Project risks categories. The awareness on the importance of building a risk culture within the Group is conveyed via workshops and training. Further, guidance is provided to the risk owners when quarterly reviews of the risk register are conducted.



The RMC receives reports from the Executive Risk Management Committee (ERMC) which is chaired by the Group Managing Director and comprises Senior Management of the Group. The ERMC is assisted by the Divisional Risk Committees whose role is to identify, mitigate and manage risks within their businesses. The ERMC retains the overall risk governance responsibility and risk oversight of the Group and its subsidiaries. The ERM structure is summarised below:

Enterprise Risk Management Reporting Structure

The Group adopts ISO31000 guidelines in its risk management processes, whereby the Group has established its external and internal perspectives for its risk management activities, and conducted risk identification, analysis, evaluation and treatment, with continuous monitoring, review, communication and consultation. Risks events are analysed in terms of its likelihood of occurrence and significance of their consequences, where an approved Risk Matrix is used to ensure consistent practice throughout the Group.

Risk Matrix

CONSEQUENCES

LIKELIHOOD	High	High High	Extreme	Extreme	Extreme
	Moderate	High	High High	Extreme	Extreme
	Minor	Moderate	High	High High	Extreme
	Trivial	Moderate	Moderate	High	High High
	Trivial	Minor	Moderate	High	High High

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

The Board is pleased to issue the following report on the Finance and Investment Committee ("FIC") and its activities during the financial year ended 31 December 2019.

Composition of the Finance and investment Committee and Meetings

The year saw changes to the composition of the Finance and Investment Committee following the retirement and resignations as well as new appointments to the Board. The current composition of the Committee stands at four (4) members all of whom are Non-Executive Directors.

A total of six (6) meetings were held during the financial year under review. The status of directorship and attendance record of each of the members during the financial year were as follows:

Name of Directors and Status	No. of Meetings Attended
Datuk Anuar bin Ahmad ***Chairman, Independent Non-Executive Director*** (Appointed as Member w.e.f. 14.6.2019 and subsequently re-designated as Chairman of the Committee w.e.f. 13.9.2019)	2/2
Amizar binti Mizuar ***Member, Non-Independent Non-Executive Director***	6/6
Hasman Yusri bin Yusoff ***Member, Independent Non-Executive Director*** (Appointed as Member w.e.f. 13.9.2019)	1/1
Dr. Leong Yuen Yoong ***Member, Independent Non-Executive Director*** (Appointed as Member w.e.f. 18.9.2019)	1/1
Dato' Seri Ir. Dr. Zaini bin Ujang* ***Member, Independent Non-Executive Director*** (Resigned as Member and Director w.e.f. 1.1.2020)	6/6
Dato' Azmi bin Mohd Ali* ***Member, Non-Independent Non-Executive Director*** (Resigned as Member and Director w.e.f. 8.10.2019)	5/5
Dato' Idris bin Kechot ***Chairman, Non-Independent Non-Executive Director*** (Appointed as Chairman of the Committee w.e.f. 28.05.2019 and subsequently resigned as Chairman of the Committee w.e.f. 13.9.2019)	1/1
Dr. Leong Chik Weng* ***Chairman, Independent Non-Executive Director*** (Retired as Chairman of the Committee and Director w.e.f. 28.5.2019)	4/4
Datin Paduka Kartini binti Hj Abdul Manaf* ***Member, Non-Independent Non-Executive Director*** (Retired as Member and Director w.e.f. 28.5.2019)	4/4

Note:

* *The Company has adopted a policy of limiting the tenure of its director, be it independent or non-independent director, to nine (9) years of service.*

The details on the Terms of Reference of the Finance and Investment Committee can be found on the Company's website at www.ccmberhad.com.

Activities during The Financial Year

During the year, the Committee reviewed, approved and recommended to the Board of Directors the following:

i) Operational plan and budget for the year;

ii) Business reviews and implementation of strategic plans, directions and internal corporate restructuring;

iii) Expenditures and investment proposals in relation to new equipment, machine replacements and refurbishments, office renovations and construction of plant facilities as well as new projects undertaken within the Group;

iv) Investments, divestment and collaboration opportunities;

v) Appointment of advisors and consultants.

The Committee also monitored during the year the progress of investment proposals, capital expenditures and projects approved by the Board of Directors.

In addition, the Committee also reviewed the post-Expenditure Review of the investment proposals, capital expenditures and projects approved by the Board of Directors at least one year after commencement of the projects.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

OVERVIEW OF OUR RISK MANAGEMENT APPROACH

Effective risk management is an essential part of Chemical Company of Malaysia Berhad Group of Companies ("Group") business model with the objective of pursuing opportunities within the risks, and minimises the potential impacts in the event that the risks are crystallised. It also protects the Group's reputation whilst ensuring profitability and sustainability. The Group's risk management approach is strongly embedded in the Group's strategy, whereby the achievement of the Group's strategy requires a strong risk-centric approach to ensure the Group is fully aware and prepared for myriad of risks possibly faced by the business. This approach thus underpinned by robust internal controls and structured framework which are prerequisites to the achievement of the Group's business objectives.

RESPONSIBILITY

The Group Board acknowledges the principal risks associated with the Group's business and recognises that business decisions may require taking an appropriate level of risks. Therefore, the Board shall ensure that there is system in place which effectively monitor and manage these risks. For areas relating to risk management and internal controls, the Board holds the overall responsibility over the establishment and oversight of the adequacy and effectiveness of the Group's risk management and internal controls systems, which includes financial, operational and compliance controls. Whilst the establishment of the risk management and internal controls systems places the importance of managing the businesses' key risks within the approved risk appetite, the Board acknowledges that the systems are designed to mitigate and minimise, rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT AND INTERNAL CONTROL GOVERNANCE

The role of overseeing and maintaining the risk management and internal control systems, to ensure that they are adequate and effective, are held by the following:

i. Risk Management Committee (RMC)

The RMC oversees the implementation of the risk management, which is put in place to manage the risk exposures of the Group within the approved risk appetite. Thus RMC is tasked to direct and oversee the formulation of a structured mechanism in the Group to inculcate strong governance, ethical, integrity and risk management culture within the Group. On a quarterly basis, RMC reviews the results of the risk assessments and treatments, and subsequently reports to the Board on key matters in relation the implementation of the risk management system.

ii. Audit and Compliance Committee (ACC)

The ACC is responsible for overseeing the internal control systems (including integrity matters) of the Group, and determining that all major issues reported by the Group Internal Auditor, the external auditors and other outside advisors have been satisfactorily resolved. ACC assesses the effectiveness of the system of internal control vis-à-vis the risks, control environment and compliance requirement of the Group. Finally, the ACC reports on a quarterly basis to the Board on all important matters pertaining to the Group's controlling processes.

iii. **Management**

The risk management and control processes are implemented by Management, which is led by the Group Managing Director and Senior Management of the Group, who are collectively responsible for good business practices and governance.

Management is also charged with the responsibility of establishing an internal control framework with the objective of controlling the operations of the Group in a manner which provides the Board with reasonable assurance that the control objectives are achieved. This also includes discussion on risk management and internal control issues during the Management Committee meeting to mitigate the Group's current and emerging risks.

iv. **Group Risk Management Unit (GRM)**

The overall risk management process is facilitated by GRM, which maintains regular communication and consultation with management. They also facilitate risk analysis of strategic business objectives, operational initiatives and emerging issues in the Group, as well as conducts quarterly follow-up of the updating of risk profiles and the implementation of risk treatment measures by management. This escalation covers how significant risks are being managed, monitored, assured and improved.

v. **Group Assurance Unit**

The Group Assurance Unit assists the ACC in ascertaining that the ongoing processes for controlling operations throughout the Group are adequately designed and are functioning in an effective manner. The Group Internal Auditor is also responsible for reporting to Management and the ACC on the adequacy and effectiveness of the Group's systems of internal control, together with ideas, counsel and recommendations to improve the systems.

RISK MANAGEMENT FRAMEWORK

The Board confirms that there is an ongoing group-wide risk management process for identifying, evaluating and managing the significant risks faced by the Group. This risk management process seeks to minimise risk incidents and maximise business outcomes. All new and major investments have to observe a process approval that includes an assessment of the associated risks. The Group has adopted a Risk Management Manual and Guidelines, which is based on ISO 31000, premised on international guideline for managing risk, to ensure that risk management process is consistent across the Group.

The line functions within the organisation structure (including the monitoring and assurance functions) provide the necessary support to the Board in ensuring the effectiveness of the Group's risk management framework. Responsibilities are allocated to the respective functions to enable the Group to have adequate lines of defence in managing its risk.

The first line of defence are the risk owners across the businesses of the Group. They define, highlight, report on and manage a variety of risks, including business and operational risks anticipated by them. In doing so, the Management from all businesses or major departments conducted risk assessments to identify the risks relating to their areas of supervision and control, analysed the likelihood of these risks occurring and the consequences if they do occur and evaluated the risk level by comparing against the approved risk criteria, as well as determined the actions being and/or to be taken to manage these risks to an acceptable level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register.

The overall process is facilitated by the Group Risk Management Unit, which is the second line of defense for the Group. The Group has an Executive Risk Management Committee, which is embedded in the Group Management Committee, to provide oversight and added impetus to the risk management process. Finally, the process is subjected to quarterly review by the Board, via the RMC.

The internal audit function, which is carried out by the Group Assurance Unit, serves as the third line of defence by providing independent assurance on the effectiveness of the risk management processes.

INTERNAL CONTROL FRAMEWORK

Management has put in place internal controls to ensure that the Company's objectives are achieved through adequate mitigation of the identified risks.

The key elements of the Group's system of internal controls are described below:

Board Committees

The delegation of responsibilities to the various committees of the Board of Directors is clearly defined. At present, the committees which are established are the Audit and Compliance Committee, Nomination and Remuneration Committee, Finance and Investment Committee and Risk Management Committee. The respective Board Committees are tasked to assess the risk management aspects, control environment and alignment to the overall Group's risk appetite in relation to performing their duties as indicated in the Board Committee's Terms of Reference.

Assignment of Authority and Responsibility

The Board has approved a defined and documented Limits of Authority (LOA) which is used consistently throughout the Group. These LOAs specify clear division and delegation of responsibilities as well as authorities from the Board to the Board Committees and to members of Management, and the authorisation levels of various aspects of operations. Clearly defined LOA within a divisionalised organisation structure have also been established to facilitate the supervision and monitoring of conduct and operations of individual business units and support services departments. These were reviewed and updated in prior year to resolve operational effectiveness and challenges and to reflect the changing risks. Additionally, the Group has a Project Review Committee, which is embedded within the Group Management Committee, to provide added assurance to the Finance and Investment Committee in the feasibility evaluation of project/investment proposals and subsequent evaluation of the progress and results of endorsed project/investment through a process of due scrutiny.

Planning, Monitoring & Reporting

The Group undertakes a strategic and budgeting planning process annually, to establish plans and targets against which performance is monitored. These business plan and budgets are subjected to evaluation and assessment by the Senior Management Group and the Finance and Investment Committee before it is recommended to the Board for approval. Monthly review is carried out by the Divisions and Group Management Committee to ensure that the businesses are operating according to the plans, as well as to monitor adherence to the internal control procedures established. Quarterly financial and operational reports are tabled and presented to the Board providing financial information including key performance and risk indicators. The information is reviewed by the Audit and Compliance Committee before it is presented to the Board for consideration and approval.

Policies & Procedures

There are clearly defined policies and procedures in place to ensure adequacy of controls, and compliance with relevant law and regulations. These policies and procedures are periodically reviewed and updated to reflect changes in business structure and processes. Certain companies within the Group have ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007 accreditations and MS 1454:2007, MS 177:1973, MS 1718:2003, MS 700:1981 and MS 171:2013 product certifications for operational purposes. These accreditations and certifications demonstrate the Group's ongoing commitment to drive for excellence and continuous quality improvement.

The Group has implemented Enterprise Resource Planning System (SAP) across its key business activities namely Chemicals Business and Polymers Business and the holding company, Chemical Company of Malaysia Berhad. This is part of the Group's initiative to establish best practices across key business functions promoting greater visibility, transparency and efficiency.

Annual assurance is provided by the Group Managing Director and the Senior Manager, Group Finance, being the person primarily responsible for the financial management of the Company, to the Board on the adequacy and effectiveness of controls in the business processes.

Business Continuity Management ("BCM")

A framework on BCM has been established to ensure continuity of business in the event of a disaster. Recognising the diverse nature of risk and business within the Group, BCM in the Group is a business-owned and business-driven process that establishes a fit-for-purpose strategic and operational framework to proactively improve the business resilience against the crisis and its ability to achieve its key objectives.

The framework includes a Crisis Management component at Group level which provides a rehearsed method of restoring the Group's ability to supply its key products and services to an agreed or acceptable level within an agreed time after a crisis. Processes within the framework also support the objective of protecting the Group's reputation and brand and adds to the overall assurance of achieving the strategic objectives of the Group.

As part of the continuous BCM process, the Group also has a Succession Planning Framework for key positions; which amongst others includes structured plans to improve the Group's bench strength in key positions, talent identification and retention, and strengthening the process in performance management.

Code of Conduct and Core Values

The Senior Management sets the tone for an effective control environment and culture within the Group through the Group's mission, vision and core values. The Group developed its key pillars for all CCM employees to embrace on, based on the below six (6) core value tenets:

- Passion – Inspire and energise to be the best
- Excellence – consistently deliver outstanding performance
- Teamwork – work as one
- Integrity – being honest and ethical
- Responsible – being accountable for our actions
- Respect – value differences

The importance of the shared values is manifested in the Group's Code of Conduct, which incorporates the CCM's vision, mission and core values. The Code of Conduct also embodies several of the principles contained in various policies adopted by CCM; and gives guidance on the application of the core values to the CCM Group's businesses and activities.

Statement on Risk Management Committee and Internal Control

Amongst the policies included in the Code of Conducts are Conflict of Interest, Anti-Bribery & Corruption, Gift and Entertainment, Competition Law, Securities & Insider Trading, Risk Management, Information Communication Technology, Intellectual Property and Innovation, Quality and Halal policies. The Board had during the year, approved the revised Gift, Entertainment & Hospitality Policy as well as the Whistleblowing Policy.

The Code of Conduct also includes the Whistle Blowing Policy, which aims to encourage the employees to feel confident in raising serious concerns and to provide a formal channel for them to raise these concerns and receive feedback on any actions taken. The Policy also provides assurance that the whistle blower will be protected from possible reprisals or victimisation if they have a reasonable belief that they have made any disclosure in good faith. A whistleblowing hotline has been established to further facilitate the employees and external parties to raise their concerns on possible misconduct or violation of the rules and regulations.

Corporate Integrity Pledge and Integrity Pact

In May 2014, the Company signed the Corporate Integrity Pledge with the Malaysian Anti-Corruption Commission (MACC) to mark its commitment to enhance corporate governance, accountability and transparency in all aspects of the business operations in the CCM Group.

By signing the pledge, CCM is making a unilateral declaration that it will not commit corrupt acts, will work towards creating a business environment that is free from corruption and will uphold the Anti-Corruption Principles for Corporations in Malaysia in the conduct of its business and in its interactions with its business partners and the Government.

In 2015, Integrity Pacts were implemented and suppliers of the Group were encouraged to sign up the Integrity Pact to state their commitment in supporting the Group's initiatives in combating corruption.

Human Resource Management

Key Performance Indicators are used to measure the achievement of staff in achieving the business and operational objectives. To enhance the competencies of the Group's talent pool, staff are kept updated with required training programmes ensuring their capabilities to carry out duties and responsibilities towards achieving the Group's objectives.

The Group has in place guidelines for handling misconduct and disciplinary matters which include breach of integrity and other misconduct which do not comply with the terms and conditions of service whether expressed or implied to ensure unsatisfactory performance and/or workplace conflicts are properly dealt with.

Group Risk Management

The Group Risk Management Department reviews the risk analysis including those relating to strategic business objectives, operational initiatives and emerging issues in the Group. It also conducts periodic follow-up in the updating of risk profiles and the implementation of risk treatment measures by management. The Group Risk Management Department also provides guidance to the Group's operations in identifying and assessing risks, developing relevant and effective mitigation strategies to manage the risks.

Internal Audit

The Group Assurance Unit carries out the internal audit assignments that independently reviews the adequacy and integrity of the system of internal controls in managing the key risks, and reports accordingly to the ACC on a quarterly basis. Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls. Follow-up audits are then conducted to assess the status of implementation thereof by Management. In carrying out its work, the Group Assurance Unit focuses on areas of priority as directed and approved by the ACC.

The Board remains committed towards maintaining a sound system of internal controls and believe that a balanced achievement of the Group's business objectives and operational efficiency can be attained. The Group continues to take measures to further strengthen the internal control environment.

BOARD'S ASSESSMENT

The Board is of the view that the Company's overall risk management and internal control system is operating adequately and effectively, in all material aspects, and have received the same assurances from the Group Managing Director and the Senior Manager – Group Finance of the Company.

The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Group has been in place throughout 2019 up to the date of approval of this statement.

For the financial year ended 31 December 2019, the Board is of the view that the system of internal controls was adequate and effective and, has not resulted in any material loss, contingency or uncertainty that would require disclosure in the Annual Report 2019.

This statement does not include the state of internal control in the associate, which has not been dealt with as part of the Group.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The statement has been approved by the Board of Directors at its meeting on 12 March 2020.

UTILISATION OF PROCEED FROM CORPORATE PROPOSALS (If any)

On 20 March 2019, the Company announced the completion of the proposed disposal of its Nilai land with total proceeds of RM21.5 million which had been fully utilises towards repayment of bank borrowings.

AUDIT AND NON-AUDIT FEES FOR SERVICES RENDERED TO THE LISTED ISSUER OR ITS SUBSIDIARIES FOR THE FINANCIAL YEAR

During the year ended 31 December 2019, the following amount have been paid or payable to the auditors of the Company and Group for work performed:

	Audit Work (RM)	Non-Audit Work (RM)
Company Level	77,000	30,000
Group Level	344,000	30,000

MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS, CHIEF EXECUTIVE OFFICER WHO IS NOT A DIRECTOR OR MAJOR SHAREHOLDER

Save as disclosed below, there was no other material contract involving the interests of directors, chief executive officer who is not a director or major shareholder interest, either subsisting at the end of the financial year ended 31 December 2019 or if not, entered into since the end of the previous financial year, other than contracts entered into in the ordinary course of business:

a) CCM Chemicals Sdn Bhd ("CCMC"), a wholly owned subsidiary of the Company had, on 29 November 2019, awarded a contract to Sime Darby Energy Solutions Sdn Bhd, a wholly subsidiary of Sime Darby Berhad to engineer, procure, construct and commission one unit of Co-Generation ("COGEN") plant at CCMC's Pasir Gudang chlor-alkali plant in Johor at a contract price of RM27.9 million.

b) Commodity Murabahah Term Financing-i Commodity Facility (the "Facility") of USD25.0 million (or approximately equivalent to RM100 million) entered into between CCM and Sumitomo Mitsui Banking Corporation Malaysia Berhad ("SMBC") on 18 April 2018 for the purpose of facilitating the overall cashflow planning and loan restructuring exercise of the Company.

c) Share Sale Agreement dated 13 April 2018 between Chemical Company of Malaysia Berhad ("CCM") and Duopharma Biotech Berhad ("Duopharma") for disposal by CCM of 806,405 common share in Pangen Biotech Inc ('Pangen"), representing approximately 8.39% equity interest in Pangen, to Duopharma for a cash consideration of RM59,156,546.56.

   The disposal was completed on 29 June 2018.

d) Information Technology Services Agreement dated 11 April 2018 between CCM and Duopharma for the provision on information technology services by CCM to Duopharma for a fixed term commencing from 1 January 2018 to 1 January 2022.

   Duopharma had given notice to terminate the information Technology Services Agreement effective on 30 June 2020 via a notice of termination dated 28 June 2019.

e) Sub-tenancy Agreement dated 10 April 2018 between CCM and Duopharma whereupon CCM has granted to Duopharma the sub-tenancy of Level 13 and Level 14 of Menara PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur for the sum of RM7,700.00 per month for a fixed term commencing on 1 January 2018 and expiring on 14 February 2020. Duopharma had terminated the sub-tenancy effective on 31 October via a notice of termination dated 30 July 2018.

f) Sale and Purchase Agreement of Trademarks for a total purchase consideration of RM73.00, a Trademark Deed of Assignment and Registered User Agreement entered into between CCM and Duopharma on 11 April 2018 pursuant to Trademarks License Agreement dated on even date.

g) Trademarks License Agreement dated 11 April 2018 between CCM and Duopharma ("Trademarks License Agreement") whereupon CCM has granted Duopharma the license to use the trademarks in relation to the pharmaceutical, biopharmaceutical and healthcare products and services, food supplements and medicines manufactured, distributed, imported, exported, marketed and sold by Duopharma for a consideration of RM250,000.00 per annum.

   Duopharma had on 29 November 2019 entered into a Renewal of Trademarks License Agreement with the Company for a further one-year period commencing 1 January 2020 until 31 December 2020 for a cash consideration of RM250,000.00.

h) Term Financing-i Commodity Murabahah of RM11.5 million and Trade Financing-i-Facilities of RM5.0 million entered into between CCM Polymers Sdn Bhd ("CCM Polymers") a wholly owned subsidiary of CCM with OCBC Al-Amin Bank Berhad ("OCBC") on 19 March 2018 to partly finance for the purchase of CCM Polymers' double-storey office cum factory and annexed single-storey factory at Taman Industri Selaman, Seksyen 10, Bandar Baru Bangi, Selangor Darul Ehsan together with its fixtures and fittings at a purchase price of RM20.8 million.

MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, neither CCM nor any of its subsidiaries are engaged in any material litigation, claims or arbitration proceedings, either as plaintiff or defendant, which will have a material effect on the financial position of the CCM Group and the Board is not aware of any proceedings pending or threatened against CCM and/or its subsidiaries or any facts likely to give rise to any proceedings which might materially affect the financial position and business of the CCM Group:

PT CCM Indonesia, a subsidiary of CCM, had on 23 September 2014 submitted five (5) letters of appeal to the Indonesian Tax Court against the objection decision of the Director-General of Tax, Indonesia on several tax adjustments/corrections made by the tax auditor totaling IDR36.1 billion (or equivalent to RM9.7 million) in aggregate.

On 13 December 2018, PT CCMI received official notification on the judgement in favour of PTCCMI's appeals to the Tax Court of Indonesia. These successful appeals relate to several tax adjustment/corrections made by the tax auditor amounting to IDR34.06 billion (equivalent to approximately RM9.78 million) representing 99.25% of the total appealed amount of IDR34.31 billion (equivalent to approximately RM9.85 million).

REVALUATION POLICY OF LANDED PROPERTY

Land & Buildings are stated at cost or Director's valuation based on open market valuations by professional firms of valuer less accumulated depreciation. Additions to land and buildings subsequent to the valuations are stated at cost.

RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

The Company has not sought any mandate for recurrent related party transaction of a revenue or trading nature at the last Annual General Meeting ("AGM") of the Company held on 28 May 2019 and the Company does not anticipate any future recurrent related party transaction of a revenue or trading nature to be entered from the date of the forthcoming AGM until the next AGM of the Company.


FINANC
STATEME

Amounts in RM'000 unless otherwise stated

The Directors of Chemical Company of Malaysia Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 15 June 2020.

Principal activities

Chemical Company of Malaysia Berhad is an investment holding and management company with subsidiaries engaged in the manufacturing and marketing of chemicals and polymers products and services as stated in Note 7 to the financial statements.

Ultimate holding company

The Company is a subsidiary of Permodalan Nasional Berhad ("PNB"), of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

Results

	Group	Company
Profit attributable to:		
Owners of the Company	15,381	7,176
Non-controlling interests	691	-
	16,072	7,176

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 the following dividends:

i) A second interim ordinary dividend of 4.00 sen per ordinary share totalling RM6,707,840 in respect of the financial year ended 31 December 2018 on 31 January 2019.

ii) Final Single Tier Dividend of 2.00 sen per ordinary share totalling RM3,353,920 in respect of the financial year ended 31 December 2018 on 14 June 2019.

iii) An interim ordinary dividend of 3.00 sen per ordinary share totalling RM5,030,879 in respect of the financial year ended 31 December 2019 on 27 December 2019.

Dividends (continued)

The Directors propose a final ordinary dividend of 2.00 sen per ordinary share totalling RM3,353,920 in respect of the financial year ended 31 December 2019 for shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2020.

Directors of the Company

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Idris bin Kechot (Appointed on 18 March 2019)
Nik Fazila binti Nik Mohamed Shihabuddin, Group Managing Director
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah
Amizar binti Mizuar
Datuk Anuar bin Ahmad (Appointed on 14 June 2019)
Raja Azura binti Raja Mahayuddin (Appointed on 21 June 2019)
Hasman Yusri bin Yusoff (Appointed on 13 September 2019)
Dr. Leong Yuen Yoong (Appointed on 18 September 2019)
Zainal Abidin bin Jamal (Appointed on 20 September 2019)
Dr. Leong Chik Weng (Retired on 28 May 2019)
Datin Paduka Kartini binti Hj Abdul Manaf (Retired on 28 May 2019)
Dato' Azmi bin Mohd. Ali (Resigned on 8 October 2019)
Khalid bin Sufat (Resigned on 11 October 2019)
Dato' Seri Ir. Dr. Zaini bin Ujang (Resigned on 1 January 2020)

The names of the Directors of the subsidiaries are set out in the respective subsidiaries' financial statements, where applicable, and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' interests in shares

None of the Directors holding office at 31 December 2019 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 those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements and Related Party Transactions (Note 28) 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

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

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, Directors and Officers of Chemical Company of Malaysia Berhad, together with its subsidiaries, are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM50 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group and the Company was RM45,050.

There were no indemnity and insurance costs effected for auditors of the Company during the financial 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

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.

Other statutory information (continued)

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 2019 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.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 21 to the financial statements.

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

Dato' Idris bin Kechot
Director

Nik Fazila binti Nik Mohamed Shihabuddin
Director

Kuala Lumpur,

Date: 12 March 2020

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2019

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	2019	2018	2019	2018
Assets					
Property, plant and equipment	3	**232,941**	175,568	**5,437**	10,173
Right-of-use assets	4	**32,115**	-	**186**	-
Investment properties	5	**7,170**	220	**6,570**	6,220
Intangible assets	6	**94,107**	94,107	**-**	-
Investments in subsidiaries	7	**-**	-	**222,543**	223,323
Investment in an associate	8	**15,369**	13,653	**-**	-
Deferred tax assets	9	**-**	1,358	**-**	-
Other investment	10	**280**	-	**280**	-
Trade and other receivables	11	**-**	-	**11,853**	21,135
Total non-current assets		**381,982**	284,906	**246,869**	260,851
Inventories	12	**24,713**	28,646	**-**	-
Current tax assets		**11,250**	12,459	**1,835**	3,058
Other investment	10	**-**	200	**-**	200
Trade and other receivables	11	**76,690**	92,761	**23,696**	20,108
Cash and cash equivalents	13	**111,776**	136,297	**14,795**	24,960
		224,429	270,363	**40,326**	48,326
Assets classified as held for sale	14	**-**	19,986	**-**	19,800
Total current assets		**224,429**	290,349	**40,326**	68,126
Total assets		**606,411**	575,255	**287,195**	328,977
Equity					
Share capital		**81,920**	81,920	**81,920**	81,920
Reserves		**28,811**	22,769	**-**	-
Retained earnings		**212,036**	211,684	**69,863**	77,780
Equity attributable to owners of the Company	15	**322,767**	316,373	**151,783**	159,700
Non-controlling interests		**3,287**	2,601	**-**	-
Total equity		**326,054**	318,974	**151,783**	159,700

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	2019	2018	2019	2018
Liabilities					
Loans and borrowings	16	**155,550**	152,107	**98,000**	114,827
Lease liabilities		**125**	-	**-**	-
Deferred tax liabilities	9	**16,949**	15,216	**1,051**	6,206
Total non-current liabilities		**172,624**	167,323	**99,051**	121,033
Loans and borrowings	16	**39,530**	41,695	**20,000**	29,615
Lease liabilities		**949**	-	**191**	-
Trade and other payables	17	**66,857**	46,311	**16,170**	18,629
Current tax liabilities		**397**	952	**-**	-
Total current liabilities		**107,733**	88,958	**36,361**	48,244
Total liabilities		**280,357**	256,281	**135,412**	169,277
Total equity and liabilities		**606,411**	575,255	**287,195**	328,977

The notes on 130 to 209 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 31 December 2019

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	2019	2018	2019	2018
Revenue	18	**385,220**	395,939	**19,161**	23,342
Cost of sales		**(311,544)**	(292,564)	**(60)**	(645)
Gross profit		**73,676**	103,375	**19,101**	22,697
Other income		**4,129**	11,781	**2,055**	12,850
Distribution expenses		**(11,066)**	(11,405)	**-**	-
Administrative expenses		**(34,337)**	(40,177)	**(12,063)**	(11,031)
Net (loss on impairment)/gain on reversal of impairment of financial instruments		**(1,512)**	3,429	**1,818**	4,455
Other expenses		**(3,522)**	(1,817)	**(2,951)**	(7,322)
Results from operating activities		**27,368**	65,186	**7,960**	21,649
Finance income		**3,989**	5,991	**1,046**	3,669
Finance costs	19	**(6,710)**	(21,071)	**(6,874)**	(17,803)
Net finance costs		**(2,721)**	(15,080)	**(5,828)**	(14,134)
Share of profit of equity-accounted associate, net of tax		**1,716**	1,510	**-**	-
Profit before tax		**26,363**	51,616	**2,132**	7,515
Tax (expense)/income	20	**(10,291)**	(20,872)	**5,044**	(4,534)
Profit for the year	21	**16,072**	30,744	**7,176**	2,981
Other comprehensive income, net of tax					
Item that is or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**1,943**	1,367	**-**	-
		1,943	1,367	**-**	-

Amounts in RM'000 unless otherwise stated

	Note	Group 2019	Group 2018	Company 2019	Company 2018
Other comprehensive income, net of tax (continued)					
Items that will not be reclassified subsequently to profit or loss					
Net change in fair value of equity investments designated at fair value through other comprehensive income ("FVOCI")		**(10)**	14,053	**-**	14,021
Revaluation of property, plant and equipment before transfer of properties to investment properties		**4,168**	-	**-**	-
		4,158	14,053	**-**	14,021
Other comprehensive income for the year, net of tax		**6,101**	15,420	**-**	14,021
Total comprehensive income for the year		**22,173**	46,164	**7,176**	17,002
Profit attributable to:					
Owners of the Company		**15,381**	25,695	**7,176**	2,981
Non-controlling interests		**691**	5,049	**-**	-
Profit for the year		**16,072**	30,744	**7,176**	2,981
Total comprehensive income attributable to:					
Owners of the Company		**21,487**	41,099	**7,176**	17,002
Non-controlling interests		**686**	5,065	**-**	-
Total comprehensive income for the year		**22,173**	46,164	**7,176**	17,002
Basic earnings per ordinary share (sen):	22	**9.17**	15.32		

The notes on 130 to 209 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the Year Ended 31 December 2019

Amounts in RM'000 unless otherwise stated

		Attributable to equity holders of the Company								
		Non-distributable					Distributable			
	Note	**Share capital**	**Translation reserve**	**Fair value reserve**	**Revaluation reserve**	**Other capital reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Group										
At 1 January 2018		81,920	18,351	29,727	112,361	2,982	34,964	280,305	(2,464)	277,841
Net change in fair value of equity investment designated at FVOCI		-	-	14,037	-	-	-	14,037	16	14,053
Foreign currency translation differences for foreign operations		-	1,367	-	-	-	-	1,367	-	1,367
Total other comprehensive income for the year		-	1,367	14,037	-	-	-	15,404	16	15,420
Profit for the year		-	-	-	-	-	25,695	25,695	5,049	30,744
Total comprehensive income for the year		-	1,367	14,037	-	-	25,695	41,099	5,065	46,164
Contributions by and distributions to owners of the Company										
Dividends to owners of the Company	23	-	-	-	-	-	(5,031)	(5,031)	-	(5,031)
Total transactions with owners of the Company		-	-	-	-	-	(5,031)	(5,031)	-	(5,031)
Transfer upon the disposal of equity investment designated at FVOCI		-	-	(43,695)	-	-	43,695	-	-	-
Transfer upon the disposal of property		-	-	-	(112,361)	-	112,361	-	-	-
At 31 December 2018		81,920	19,718	69	-	2,982	211,684	316,373	2,601	318,974
		Note 15.1	Note 15.2	Note 15.3	Note 15.4					

Amounts in RM'000 unless otherwise stated

	Note	Attributable to equity holders of the Company — Non-distributable: Share capital	Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserve	Distributable: Retained earnings	Total	Non-controlling interests	Total equity
Group										
At 1 January 2019		**81,920**	**19,718**	**69**	-	**2,982**	**211,684**	**316,373**	**2,601**	**318,974**
Revaluation of property, plant and equipment before transfer of properties to investment properties		-	-	-	4,168	-	-	4,168	-	4,168
Net change in fair value of equity investment designated at FVOCI		-	-	(5)	-	-	-	(5)	(5)	(10)
Foreign currency translation differences for foreign operations		-	1,943	-	-	-	-	1,943	-	1,943
Total other comprehensive income for the year		-	1,943	(5)	4,168	-	-	6,106	(5)	6,101
Profit for the year		-	-	-	-	-	15,381	15,381	691	16,072
Total comprehensive income for the year		-	**1,943**	**(5)**	**4,168**	-	**15,381**	**21,487**	**686**	**22,173**

Statements of Changes in Equity
for the Year Ended 31 December 2019 (continued)

Amounts in RM'000 unless otherwise stated

		Attributable to equity holders of the Company								
		Non-distributable					Distributable			
	Note	**Share capital**	**Translation reserve**	**Fair value reserve**	**Revaluation reserve**	**Other capital reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Group										
Contributions by and distributions to owners of the Company										
Dividends to owners of the Company	23	-	-	-	-	-	(15,093)	(15,093)	-	(15,093)
Total transactions with owners of the Company		-	-	-	-	-	(15,093)	(15,093)	-	(15,093)
Transfer upon the disposal of equity investment designated at FVOCI		-	-	(64)	-	-	64	-	-	-
At 31 December 2019		**81,920**	**21,661**	**-**	**4,168**	**2,982**	**212,036**	**322,767**	**3,287**	**326,054**
		Note 15.1	Note 15.2	Note 15.3	Note 15.4					

Amounts in RM'000 unless otherwise stated

	Note	Share Capital	Fair value reserve	Retained earnings	Total equity
		⊢ Attributable to equity holders of the Company ⊣			
		⊢ Non-distributable ⊣		Distributable	
Company					
At 1 January 2018		81,920	29,674	36,135	147,729
Net change in fair value of equity investment designated at FVOCI		-	14,021	-	14,021
Total other comprehensive income for the year		-	14,021	-	14,021
Profit for the year		-	-	2,981	2,981
Total comprehensive income for the year		-	14,021	2,981	17,002
Contributions by and distributions to owners of the Company					
Dividends to owners of the Company	23	-	-	(5,031)	(5,031)
Total transactions with owners of the Company		-	-	(5,031)	(5,031)
Transfer upon the disposal of equity investment designated at FVOCI		-	(43,695)	43,695	-
At 31 December 2018		81,920	-	77,780	159,700
		Note 15.1	Note 15.3		

Statements of Changes in Equity
for the Year Ended 31 December 2019 (continued)

Amounts in RM'000 unless otherwise stated

		Attributable to equity holders of the Company			
		Non-distributable		Distributable	
	Note	**Share Capital**	**Fair value reserve**	**Retained earnings**	**Total equity**
Company					
At 1 January 2019		**81,920**	**-**	**77,780**	**159,700**
Profit for the year		-	-	**7,176**	**7,176**
Total comprehensive income for the year		-	-	**7,176**	**7,176**
Contributions by and distributions to owners of the Company					
Dividends to owners of the Company	23	-	-	**(15,093)**	**(15,093)**
Total transactions with owners of the Company		-	-	**(15,093)**	**(15,093)**
At 31 December 2019		**81,920**	**-**	**69,863**	**151,783**
		Note 15.1			

The notes on pages 130 to 209 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the Year Ended 31 December 2019

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	2019	2018	2019	2018
Cash flows from operating activities					
Profit before tax:		**26,363**	51,616	**2,132**	7,515
Adjustments for:					
Change in fair value of investment properties	5	**(450)**	-	**(350)**	(220)
Change in fair value of other investment		**(80)**	-	**(80)**	-
Depreciation of property, plant and equipment	3	**21,386**	22,923	**4,584**	3,329
Depreciation of right-of-use assets	4	**2,520**	-	**1,115**	-
Dividend income from:					
- Subsidiaries		**-**	-	**(18,879)**	(21,496)
- A related party		**-**	(5)	**-**	(5)
- Assets held for sale – other investment – quoted shares in Malaysia		**(4)**	(6)	**-**	-
Net (gain)/loss on disposal of:					
- Assets held for sale – investment property		**(1,094)**	(4,100)	**(1,094)**	(4,100)
- Property, plant and equipment		**(21)**	28	**-**	1
Finance costs	19	**6,710**	21,071	**6,874**	17,803
Finance income		**(3,989)**	(5,991)	**(1,046)**	(3,669)
Impairment loss on:					
- Trade receivables		**3,038**	1,122	**-**	-
- Investments in subsidiaries		**-**	-	**780**	2,357
- Amount due from subsidiaries		**-**	-	**14**	5,272
- Property, plant and equipment	3	**469**	-	**390**	-
- Other receivables		**148**	-	**148**	-
- Provision for obsolete stocks	12	**12**	1,012	**-**	-
Tax credit utilised		**-**	1,717	**-**	1,717
Operating profit/(loss) before changes in working capital (carried forward)		**55,008**	89,387	**(5,412)**	8,504

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	2019	2018	2019	2018
Cash flows from operating activities (continued)					
Operating profit/(loss) before changes in working capital (brought forward)		**55,008**	89,387	**(5,412)**	8,504
Reversal of impairment loss on:					
- Trade receivables		**(1,674)**	(4,551)	**-**	-
- Investments in subsidiaries		**-**	-	**-**	(7,736)
- Amount due from subsidiaries		**-**	-	**(1,980)**	(9,727)
- Provision for obsolete stocks	12	**(1,023)**	-	**-**	-
Share of profit of equity-accounted associate, net of tax		**(1,716)**	(1,510)	**-**	-
Write-down of inventories to net realisable value	12	**-**	1,337	**-**	-
Property, plant and equipment written off	3	**336**	304	**-**	-
Intangible assets written off	6	**-**	63	**-**	63
Unrealised foreign exchange loss/(gain)		**1,777**	353	**(139)**	201
Operating profit/(loss) before changes in working capital		**52,708**	85,383	**(7,531)**	(8,695)
Change in inventories		**4,944**	8,282	**-**	-
Change in trade and other payables		**17,120**	(44,617)	**(3,370)**	(26,903)
Change in trade and other receivables		**12,956**	48,855	**7,652**	28,030
Cash generated from/(used in) operations		**87,728**	97,903	**(3,249)**	(7,568)
Finance costs paid		**(9,213)**	(19,657)	**(5,924)**	(16,750)
Profit income received		**3,974**	5,956	**1,046**	3,669
Income taxes paid		**(15,152)**	(19,875)	**(855)**	(1,337)
Income taxes refunded		**8,701**	244	**1,967**	-
Net cash generated from/(used in) operating activities		**76,038**	64,571	**(7,015)**	(21,986)

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	2019	2018	2019	2018
Cash flows from investing activities					
Acquisition of:					
- Property, plant and equipment	3	**(106,219)**	(55,033)	**(238)**	(126)
Dividends received from:					
- An associate		**-**	3,465	**-**	-
- Subsidiaries		**-**	-	**18,879**	21,496
- A related company		**-**	5	**-**	5
- Assets held for sale – other investments – quoted shares in Malaysia		**4**	6	**-**	-
Proceeds from disposal of:					
- Property, plant and equipment		**190**	20	**-**	7
- Assets held for sale – other investments – quoted shares in Malaysia		**176**	59,435	**-**	59,435
Assets held for sale – investment property:					
- Proceeds from disposal		**21,500**	190,000	**21,500**	190,000
- Tax paid on disposal		**(606)**	(9,617)	**(606)**	(9,617)
Net cash (used in)/generated from investing activities		**(84,955)**	188,281	**39,535**	261,200
Cash flows from financing activities					
Dividends paid to owners of the Company	23	**(15,093)**	(5,031)	**(15,093)**	(5,031)
Loans and borrowings:					
- Proceeds		**39,800**	108,400	**-**	98,000
- Repayment		**(38,522)**	(382,736)	**(26,442)**	(367,878)
Payment of lease liabilities		**(1,943)**	-	**(1,150)**	-
Net cash used in financing activities		**(15,758)**	(279,367)	**(42,685)**	(274,909)

Amounts in RM'000 unless otherwise stated

	Note	Group 2019	Group 2018	Company 2019	Company 2018
Exchange differences on translation of the financial statements of foreign operations		**154**	2,467	**-**	-
Net decrease in cash and cash equivalents		**(24,521)**	(24,048)	**(10,165)**	(35,695)
Cash and cash equivalents at 1 January	(i)	**136,297**	160,345	**24,960**	60,655
Cash and cash equivalents at 31 December	(i)	**111,776**	136,297	**14,795**	24,960

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2019	Group 2018	Company 2019	Company 2018
Cash and bank balances		**32,623**	46,747	**4,639**	6,213
Deposits placed with financial institutions		**6,269**	6,659	**591**	2,056
Highly liquid investments with financial institutions		**72,884**	82,891	**9,565**	16,691
	13	**111,776**	136,297	**14,795**	24,960

(ii) Cash outflows for leases as lessee

	Group 2019	Group 2018	Company 2019	Company 2018
Included in net cash from operating activities				
Payment relating to short-term leases	**481**	-	**18**	-
Payment relating to leases of low-value assets	**385**	-	**141**	-
Included in net cash from financing activities				
Payment of lease liabilities	**1,943**	-	**1,150**	-
Total cash outflows for leases	**2,809**	-	**1,309**	-

Amounts in RM'000 unless otherwise stated

(iii) Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January 2018	Net changes from financing cash flows	At 31 December 2018	Adjustment on initial application of MFRS 16	At 1 January 2019	Net changes from financing cash flows	Other changes	At 31 December 2019
Group								
Bank loans	444,320	(270,518)	173,802	-	**173,802**	**1,278**	**-**	**175,080**
Lease liabilities	-	-	-	2,916	**2,916**	**(1,943)**	**101**	**1,074**
Other bank facilities	23,818	(3,818)	20,000	-	**20,000**	**-**	**-**	**20,000**
Total liabilities from financing activities	468,138	(274,336)	193,802	2,916	**196,718**	**(665)**	**101**	**196,154**
Company								
Bank loans	394,320	(269,878)	124,442	-	**124,442**	**(26,442)**	**-**	**98,000**
Lease liabilities	-	-	-	1,301	**1,301**	**(1,150)**	**40**	**191**
Other bank facilities	20,000	-	20,000	-	**20,000**	**-**	**-**	**20,000**
Total liabilities from financing activities	414,320	(269,878)	144,442	1,301	**145,743**	**(27,592)**	**40**	**118,191**

The notes on pages 130 to 209 are an integral part of these financial statements.

Amounts in RM'000 unless otherwise stated

Chemical Company of Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Principal place of business and registered office
13th Floor
Menara PNB
201-A, Jalan Tun Razak
50400 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

Chemical Company of Malaysia Berhad is an investment holding and management company with subsidiaries engaged in the manufacturing and marketing of chemicals and polymers products and services as stated in Note 7 to the financial statements.

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

These financial statements were authorised for issue by the Board of Directors on 12 March 2020.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020
- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021
- MFRS 17, *Insurance Contracts*

1. **Basis of preparation (continued)**

(a) **Statement of compliance (continued)**

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned amendments from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(b) **Basis of measurement**

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) **Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) **Use of estimates and judgements**

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 – extension options and incremental borrowing rate in relation to leases
- Note 5 – valuation of investment properties
- Note 6 – measurement of the recoverable amounts of cash-generating units
- Note 25 – measurement of expected credit loss ("ECL") and fair value of financial instruments

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 30.

At 1 January 2019, the Group and the Company have also applied the amendments in relation of MFRS 123, *Borrowing Costs*, arising from the Annual Improvements to MFRS Standards 2015 – 2017 Cycle ("the Annual Improvement"). The impacts arising from the changes are disclosed in Note 30.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. **Significant accounting policies (continued)**

(a) **Basis of consolidation (continued)**

(iii) **Acquisitions of non-controlling interests**

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) **Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(v) **Associates**

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

2. **Significant accounting policies (continued)**

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective profit method. The amortised cost is reduced by impairment losses. Profit income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Profit income is recognised by applying effective profit rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective profit rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any profit or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(k)(i)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

(a) Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective profit method.

Finance costs and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company; and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	48 years to 96 years
• Buildings	10 years to 50 years
• Renovation	10 years
• Plant, machinery and equipment	2 years to 13 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of the properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is measured at amortised cost using the effective profit method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

2. Significant accounting policies (continued)

(e) Leases (continued)

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic profit rate on the remaining balance of the liability. Contingent lease payments were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised in the statement of financial position. Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or both, was classified as investment property and measured using fair value model.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

Leasehold land which in substance was an operating lease was classified as prepaid lease payments.

2. **Significant accounting policies (continued)**

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Subsequently, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The fair value of investment properties held by the Group as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, the Group added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

2. Significant accounting policies (continued)

(g) Investment properties (continued)

(i) Investment properties carried at fair value (continued)

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale.

2. Significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances, deposits and highly liquid investments placed with financial institutions which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(k) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

2. **Significant accounting policies (continued)**

(k) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories, lease receivables, deferred tax asset, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently. Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Revenue and other income

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

2. Significant accounting policies (continued)

(o) Revenue and other income (continued)

(ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Profit income

Profit income is recognised as it accrues using the effective profit method in profit or loss except for profit income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective profit method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

2. Significant accounting policies (continued)

(q) Income tax (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(r) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2. Significant accounting policies (continued)

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

	Note	Leasehold land	Buildings	Renovation	Plant, machinery and equipment	Asset under construction	Total
Group							
Cost							
At 1 January 2018		24,900	15,857	-	489,787	1,005	531,549
Additions		9,605	12,609	36	14,047	18,736	55,033
Disposals		-	-	-	(1,082)	-	(1,082)
Write-off		-	-	-	(102,831)	(152)	(102,983)
At 31 December 2018, *as previously stated*		34,505	28,466	36	399,921	19,589	482,517
Adjustment on initial application of MFRS 16		**(32,213)**	**-**	**-**	**-**	**-**	**(32,213)**
At 1 January 2019, *as restated*		**2,292**	**28,466**	**36**	**399,921**	**19,589**	**450,304**
Additions		**-**	**-**	**2,150**	**4,931**	**99,138**	**106,219**
Borrowing costs capitalised at 4.71% per annum		**-**	**-**	**-**	**-**	**3,952**	**3,952**
Reclassification		**-**	**14,254**	**-**	**16,764**	**(31,018)**	**-**
Transfer to investment properties:							
- Transfer of carrying amount	5	**(6,300)**	**(200)**	**-**	**-**	**-**	**(6,500)**
- Offset of accumulated depreciation		**(17)**	**(68)**	**-**	**-**	**-**	**(85)**
- Revaluation of properties transferred		**4,025**	**143**	**-**	**-**	**-**	**4,168**
Disposals		**-**	**-**	**-**	**(111)**	**(155)**	**(266)**
Write-off		**-**	**-**	**-**	**(83,086)**	**-**	**(83,086)**
Effect of movements in exchange rates		**-**	**-**	**-**	**13**	**-**	**13**
At 31 December 2019		**-**	**42,595**	**2,186**	**338,432**	**91,506**	**474,719**

3. **Property, plant and equipment (continued)**

	Leasehold land	Buildings	Renovation	Plant, machinery and equipment	Asset under construction	Total
Group						
Depreciation and impairment loss						
At 1 January 2018						
Accumulated depreciation	3,605	4,556	-	379,387	-	387,548
Accumulated impairment loss	-	-	-	185	-	185
	3,605	4,556	-	379,572	-	387,733
Depreciation for the year	515	1,611	1	20,796	-	22,923
Disposals	-	-	-	(1,034)	-	(1,034)
Write-off	-	-	-	(102,679)	-	(102,679)
Effect of movements in exchange rates	-	-	-	6	-	6
At 31 December 2018, *as previously stated*						
Accumulated depreciation	4,120	6,167	1	296,476	-	306,764
Accumulated impairment loss	-	-	-	185	-	185
	4,120	6,167	1	296,661	-	306,949
Adjustment on initial application of MFRS 16	**(4,103)**	**-**	**-**	**-**	**-**	**(4,103)**
At 1 January 2019, *as restated*						
Accumulated depreciation	**17**	**6,167**	**1**	**296,476**	**-**	**302,661**
Accumulated impairment loss	**-**	**-**	**-**	**185**	**-**	**185**
	17	**6,167**	**1**	**296,661**	**-**	**302,846**

3. Property, plant and equipment (continued)

	Leasehold land	Buildings	Renovation	Plant, machinery and equipment	Asset under construction	Total
Group						
Depreciation and impairment loss (continued)						
At 1 January 2019, *as restated*						
Accumulated depreciation	**17**	**6,167**	**1**	**296,476**	-	**302,661**
Accumulated impairment loss	-	-	-	**185**	-	**185**
	17	**6,167**	**1**	**296,661**	-	**302,846**
Depreciation for the year	-	**2,154**	**590**	**18,642**	-	**21,386**
Disposals	-	-	-	**(97)**	-	**(97)**
Write-off	-	-	-	**(82,750)**	-	**(82,750)**
Impairment loss	-	-	-	**469**	-	**469**
Offset of accumulated depreciation on properties transferred to investment properties	**(17)**	**(68)**	-	-	-	**(85)**
Effect of movements in exchange rates	-	-	-	**9**	-	**9**
At 31 December 2019						
Accumulated depreciation	-	**8,253**	**591**	**232,465**	-	**241,309**
Accumulated impairment loss	-	-	-	**469**	-	**469**
	-	**8,253**	**591**	**232,934**	-	**241,778**
Carrying amounts						
At 1 January 2018	21,295	11,301	-	110,215	1,005	143,816
At 31 December 2018	30,385	22,299	35	103,260	19,589	175,568
At 31 December 2019	-	**34,342**	**1,595**	**105,498**	**91,506**	**232,941**

3. Property, plant and equipment (continued)

	Equipment	Renovation	Asset under construction	Total
Company				
Cost				
At 1 January 2018	37,896	-	178	38,074
Additions	73	36	17	126
Disposals	(105)	-	-	(105)
Reclassification	195	-	(195)	-
At 31 December 2018/1 January 2019	**38,059**	**36**	**-**	**38,095**
Additions	**152**	**-**	**86**	**238**
Disposals	**(5)**	**-**	**-**	**(5)**
At 31 December 2019	**38,206**	**36**	**86**	**38,328**
Depreciation and impairment loss				
At 1 January 2018				
Accumulated depreciation	24,690	-	-	24,690
Accumulated impairment loss	-	-	-	-
	24,690	-	-	24,690
Depreciation for the year	3,328	1	-	3,329
Disposals	(97)	-	-	(97)
At 31 December 2018/1 January 2019				
Accumulated depreciation	**27,921**	**1**	**-**	**27,922**
Accumulated impairment loss	**-**	**-**	**-**	**-**
	27,921	**1**	**-**	**27,922**
Depreciation for the year	**4,580**	**4**	**-**	**4,584**
Disposals	**(5)**	**-**	**-**	**(5)**
Impairment	**390**	**-**	**-**	**390**
At 31 December 2019				
Accumulated depreciation	**32,496**	**5**	**-**	**32,501**
Accumulated impairment loss	**390**	**-**	**-**	**390**
	32,886	**5**	**-**	**32,891**
Carrying amounts				
At 1 January 2018	13,206	-	178	13,384
At 31 December 2018/1 January 2019	10,138	35	-	10,173
At 31 December 2019	**5,320**	**31**	**86**	**5,437**

3.1 Security

At 31 December 2019, there are no land and buildings which are subject to a registered debenture to secure bank loans granted to the Group.

3. **Property, plant and equipment (continued)**

3.2 Change in estimates

During the financial year ended 31 December 2019, the Group and the Company reviewed the remaining useful life of its assets. As a result, expected useful lives of some application systems and equipment are shortened and impaired, which resulted in recognition of additional depreciation expense and impairment loss totalling RM1,826,000 in the current financial year.

3.3 Transfer to investment properties

During the financial year ended 31 December 2019, the Group transferred land and building to investment properties because they were no longer used by the Group.

Before the transfer, the Group remeasured the land and building at fair value and recognised a revaluation gain of RM4,168,000 in revaluation reserve. The valuation techniques and significant unobservable inputs used in measuring the fair value of the land and building at the date of transfer were the same as those applied to investment properties at the reporting date (see Note 5).

4. **Right-of-use assets**

	Leasehold land	Buildings	Plant, machinery and equipment	Total
Group				
At 1 January 2019	**31,719**	**2,677**	**239**	**34,635**
Depreciation	**(652)**	**(1,776)**	**(92)**	**(2,520)**
At 31 December 2019	**31,067**	**901**	**147**	**32,115**

	Buildings
Company	
At 1 January 2019	**1,301**
Depreciation	**(1,115)**
At 31 December 2019	**186**

The Group and the Company lease a number of office buildings and factory equipments that run between 1 – 3 years, with an option to renew the lease after that date.

4. Right-of-use assets (continued)

4.1 Extension options

Some leases of buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension option held is exercisable only by the Group and not by the lessor. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Group	Lease liabilities recognised (discounted)	Potential future lease payments not included in lease liabilities (discounted)	Historical rate of exercise of extension options
			%
Buildings	923	5,013	100

4.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4.3 Restriction imposed by lease

The lease contracts for buildings restrict the Group's ability to sublease the leased assets in the respective contracts.

5. Investment properties

		Group		Company	
	Note	2019	2018	2019	2018
At 1 January		**220**	20,020	**6,220**	25,800
Change in fair value recognised in profit or loss		**450**	-	**350**	220
Transfer to assets classified as held for sale	14	**-**	(19,800)	**-**	(19,800)
Transfer from property, plant and equipment	3	**6,500**	-	**-**	-
At 31 December		**7,170**	220	**6,570**	6,220

Investment properties of the Group and the Company comprise vacant land and building, and leasehold land and buildings that are leased to an associate. Each of the leases contains an initial non-cancellable period of one month to one year. Subsequent renewals are negotiated with the lessee and on average renewal periods are one to three years. No contingent rents are charged.

During the financial year ended 31 December 2018, a leasehold land amounting to RM19,800,000 was transferred from investment property to assets classified as held for sale. The land was subsequently sold during the current financial year for RM21,500,000.

The following are recognised in profit or loss in respect of investment properties:

	Group		Company	
	2019	2018	2019	2018
Lease income	**282**	402	**282**	1,841
Direct operating expenses:				
- income generating investment properties	**44**	34	**44**	592
- non-income generating investment properties	**17**	-	**16**	52

5.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

	Group and Company	
	2019	2018
Less than one year	**312**	100
One to two years	**130**	-
Total undiscounted lease payments	**442**	100

5. Investment properties (continued)

5.2 Fair value information

Fair value of investment properties are categorised as follows:

	Level 3	
	2019	**2018**
Group		
Freehold land	**6,360**	220
Freehold buildings	**210**	-
Leasehold land	**460**	-
Leasehold buildings	**140**	-
	7,170	220
Company		
Freehold land	**6,360**	6,020
Freehold buildings	**210**	200
	6,570	6,220

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
At 1 January		**220**	20,020	**6,220**	25,800
Transfer to assets classified as held for sale	14	**-**	(19,800)	**-**	(19,800)
Transfer from property, plant and equipment	3	**6,500**	-	**-**	-
Change in fair value - other income - unrealised		**450**	-	**350**	220
At 31 December		**7,170**	220	**6,570**	6,220

5. Investment properties (continued)

5.2 Fair value information (continued)

Level 3 fair value (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method of valuation which entails comparing the property with similar properties that were sold recently and those that are currently offered for sale in the vicinity.	Recent transactions of similar properties at or near reporting period with similar land usage, land size and location. The characteristics, merits and disadvantages of these properties are noted and diligent adjustments thereof are then made by valuer to reflect the differences and to arrive at the value of the property.	The estimated fair value would increase/(decrease) if recent transactions of similar properties at or near reporting period with similar land usage, land size and location were higher/(lower).

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment property portfolio every twelve months. Changes in Level 3 fair values are analysed by the management every twelve months after obtaining valuation report from the valuation company.

Highest and best use

The Group's investment properties are currently freehold and leasehold land, and buildings. The highest and best use of the property should be industrial land located nearby the Group's investment property.

6. Intangible assets

	Goodwill	Trade marks	Total
Group			
Cost			
At 1 January 2018	94,534	63	94,597
Write-off	-	(63)	(63)
At 31 December 2018/ 1 January 2019/ 31 December 2019	**94,534**	-	**94,534**
Accumulated impairment loss			
At 1 January 2018/31 December 2018/1 January 2019/31 December 2019	**427**	-	**427**
Carrying amounts			
At 1 January 2018	94,107	63	94,170
At 31 December 2018/ 1 January 2019	94,107	-	94,107
At 31 December 2019	**94,107**	-	**94,107**

6.1 Goodwill

The carrying amount of the goodwill of subsidiaries in the Polymers segment, arising from acquisition through business combination, was assessed for impairment during the year.

6.2 Amortisation and impairment charge

Amortisation and impairment is allocated and recognised in the statements of profit or loss and other comprehensive income as amortisation cost and impairment loss.

6. Intangible assets (continued)

6.3 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2019	**2018**
Subsidiaries in Polymers division	**94,107**	94,107

The recoverable amounts of the cash-generating units containing goodwill were based on value in use of the investment in the subsidiaries and determined by discounting future cash flows based on financial budgets approved by management.

For the purpose of impairment testing of Polymers division, the value in use was determined by discounting the future cash flows based on the following key assumptions:

(a) Cash flows were projected based on past experience, actual operating results and 3 years (2018: 4 years) budget, adjusted with an estimated terminal value. Management believes that these forecast period was justified due to the long term nature of the businesses.
(b) The anticipated growth rate for revenue was projected in accordance with the Group's 3 years (2018: 4 years) budget.
(c) The cash flows assume a long term growth rate of Nil (2018: Nil) and discounted using a pre-tax discount rate of 7.5% (2018: 7.5%).

7. Investments in subsidiaries

	Company	
	2019	**2018**
At cost:		
Unquoted shares	**305,167**	305,167
Less: Accumulated impairment loss	**(82,624)**	(81,844)
	222,543	223,323

7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	**Principal place of business/ Country of incorporation**	**Principal activities**	**Effective ownership interest and voting interest 2019**	**2018**
			%	**%**
CCM Usaha Kimia (M) Sdn. Bhd. and its subsidiaries:	Malaysia	Ceased operations	**100.0**	100.0
CCM Water Systems Sdn. Bhd.	Malaysia	Ceased operations	**100.0**	100.0
CCM Polymers Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacturing and selling of industrial cleaner and hydrogel coating products	**100.0**	100.0
Innovative Polymer Systems Sdn. Bhd.*/^	Malaysia	Dormant	**100.0**	100.0
Delta Polymer Systems Sdn. Bhd. */^	Malaysia	Dormant	**100.0**	100.0
CCM Chemicals Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacturing and marketing of chlor- alkali and coagulant products and marketing of industrial and specialty chemicals	**100.0**	100.0
CCM Watercare Sdn. Bhd. */^	Malaysia	Dormant	**100.0**	100.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	**100.0**	100.0
P.T. CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	**100.0**	100.0
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	**100.0**	100.0
P.T. CCM Agripharma**/^	Indonesia	Dormant	**100.0**	100.0
CCM Siam Ltd.*	Thailand	Dormant	**100.0**	100.0

7. Investments in subsidiaries (continued)

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %
CCM Agri-Max Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	**100.0**	100.0
CCM Fertilizers Sdn. Bhd. and its subsidiary:	Malaysia	Dormant	**50.1**	50.1
Max Agriculture Sdn. Bhd. */^	Malaysia	Dormant	**50.1**	50.1
Innovative Resins Sdn. Bhd.	Malaysia	Investment holding	**100.0**	100.0
CCM Marketing Sdn. Bhd. */^	Malaysia	Dormant	**100.0**	100.0
CCM Investments Limited**	British Virgin Islands	Dormant	**100.0**	100.0
Yayasan CCM (Limited by Guarantee)	Malaysia	To receive and administer funds for education and charitable purposes	**100.0**	100.0

* Not audited by member firms of KPMG PLT.
** Not required to be audited and consolidated based on unaudited financial statements.
^ The entities are in liquidation process during the year.

7. Investments in subsidiaries (continued)

7.1 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	CCM Fertilizers Sdn. Bhd. and its subsidiary	
	2019	**2018**
NCI percentage of ownership interest and voting interest	**49.90%**	49.90%
Carrying amount of NCI	**3,287**	2,601
Profit allocated to NCI	**691**	5,049
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	-	186
Current assets	**6,702**	12,326
Current liabilities	**(114)**	(7,300)
Net assets	**6,588**	5,212
Year ended 31 December		
Revenue	-	-
Profit for the year	**1,386**	10,119
Total comprehensive income	**1,376**	10,151
Cash flows from operating activities	**7,270**	4,165
Cash flows from investing activities	**180**	6
Cash flows used in financing activities	**(7,160)**	(6,959)
Net increase/(decrease) in cash and cash equivalents	**290**	(2,788)

8. Investment in an associate

	Group	
	2019	**2018**
At cost:		
Unquoted shares	**1,408**	1,408
Share of post-acquisition reserves	**13,961**	15,710
Dividend received from the associate	-	(3,465)
	15,369	13,653

8. **Investment in an associate (continued)**

Details of a material associate are as follows:

Name of associate	Principal place of business/Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2019	2018
			%	%
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	Associate	**45**	45

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	Group 2019	2018
Summarised financial information		
Non-current assets	**8,538**	4,736
Current assets	**34,472**	34,355
Non-current liabilities	**(342)**	(226)
Current liabilities	**(8,673)**	(8,683)
Net assets	**33,995**	30,182
Total comprehensive income	**3,813**	3,356
Included in the total comprehensive income is:		
Revenue	**42,132**	44,888
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	**15,298**	13,582
Consolidated adjustments	**71**	71
Carrying amount in the statement of financial position	**15,369**	13,653
Group's share of results for the year ended 31 December		
Group's share of total comprehensive income	**1,716**	1,510
Other information		
Dividends received by the Group	-	3,465

9. Deferred tax (assets)/liabilities

Recognised deferred tax (assets)/liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Group						
Property, plant and equipment	-	-	**19,852**	15,206	**19,852**	15,206
Right-of-use assets	-	-	**252**	-	**252**	-
Investment properties	-	-	**331**	4,344	**331**	4,344
Provisions	**(3,211)**	(3,708)	-	-	**(3,211)**	(3,708)
Lease liabilities	**(258)**	-	-	-	**(258)**	-
Other deductible temporary differences	**(57)**	(930)	**40**	102	**(17)**	(828)
Tax losses/tax incentives carry-forwards	-	(1,156)	-	-	-	(1,156)
Tax (assets)/ liabilities	**(3,526)**	(5,794)	**20,475**	19,652	**16,949**	13,858
Set off of tax	**3,526**	4,436	**(3,526)**	(4,436)	-	-
Net tax (assets)/ liabilities	-	(1,358)	**16,949**	15,216	**16,949**	13,858
Company						
Property, plant and equipment	-	-	**1,182**	2,274	**1,182**	2,274
Right-of-use assets	-	-	**45**	-	**45**	-
Investment properties	-	-	**331**	4,344	**331**	4,344
Lease liabilities	**(46)**	-	-	-	**(46)**	-
Provisions	**(461)**	-	-	-	**(461)**	-
Other deductible temporary differences	-	(491)	-	79	-	(412)
Tax (assets)/liabilities	**(507)**	(491)	**1,558**	6,697	**1,051**	6,206
Set off of tax	**507**	491	**(507)**	(491)	-	-
Net tax liabilities	-	-	**1,051**	6,206	**1,051**	6,206

9. **Deferred tax (assets)/liabilities (continued)**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2019	**2018**
Tax losses carry-forwards	**(70,801)**	(71,093)
Other deductible temporary differences	**(96)**	(792)
	(70,897)	(71,885)

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

The unused tax losses amounting to RM70.6mil will expire in year of assessment 2025 and RM0.2mil will expire in year of assessment 2026.

9. **Deferred tax (assets)/liabilities (continued)**

Movement in temporary differences during the year

	At 1.1.2018	Recognised in profit or loss (Note 20)	At 31.12.2018	Adjustment on initial application of MFRS 16	At 1.1.2019	Recognised in profit or loss (Note 20)	At 31.12.2019
Group							
Property, plant and equipment	21,157	(5,951)	15,206	-	**15,206**	**4,646**	**19,852**
Right-of-use assets	-	-	-	700	**700**	**(448)**	**252**
Investment properties	5,983	(1,639)	4,344	-	**4,344**	**(4,013)**	**331**
Provisions	(2,723)	(985)	(3,708)	-	**(3,708)**	**497**	**(3,211)**
Lease liabilities	-	-	-	(700)	**(700)**	**442**	**(258)**
Other deductible temporary differences	(2,124)	1,296	(828)	-	**(828)**	**811**	**(17)**
Tax losses/tax incentives carry-forwards	(570)	(586)	(1,156)	-	**(1,156)**	**1,156**	**-**
	21,723	(7,865)	13,858	-	**13,858**	**3,091**	**16,949**
Company							
Property, plant and equipment	2,901	(627)	2,274	-	**2,274**	**(1,092)**	**1,182**
Right-of-use assets	-	-	-	312	**312**	**(267)**	**45**
Investment properties	12,391	(8,047)	4,344	-	**4,344**	**(4,013)**	**331**
Lease liabilities	-	-	-	(312)	**(312)**	**266**	**(46)**
Provisions	-	-	-	-	**-**	**(461)**	**(461)**
Other deductible temporary differences	(505)	93	(412)	-	**(412)**	**412**	**-**
	14,787	(8,581)	6,206	-	**6,206**	**(5,155)**	**1,051**

10. Other investment

	Group and Company	
	2019	2018
Non-current		
Fair value through profit or loss	**280**	-
Current		
Fair value through profit or loss	-	200

Other investment relates to a club membership. During the financial year, other investment is classified as non-current asset.

11. Trade and other receivables

		Group		Company	
	Note	2019	2018	2019	2018
Non-current					
Trade					
Amount due from subsidiaries		-	-	-	3,804
Non-trade					
Amount due from subsidiaries	11.1	-	-	**11,853**	17,331
Total non-current		-	-	**11,853**	21,135
Current					
Trade					
Trade receivables		**70,443**	74,920	-	-
Amount due from subsidiaries		-	-	**22**	22
Amount due from related companies		-	40	-	-
		70,443	74,960	**22**	22
Non-trade					
Amount due from related companies		**3,016**	5,973	**3,016**	5,969
Amount due from subsidiaries	11.1	-	-	**19,994**	12,140
Amount due from an associate		**66**	79	**62**	62
Deposits		**2,193**	3,882	**237**	249
Other receivables		**803**	2,542	**365**	1,666
Prepayments		**169**	5,325	-	-
		6,247	17,801	**23,674**	20,086
Total current		**76,690**	92,761	**23,696**	20,108

11.1 The non-trade amount due from subsidiaries relates to advances which are unsecured, subject to profit rate of 5.14% - 5.20% per annum (2018: 4.83% - 5.09% per annum).

12. Inventories

	Group	
	2019	**2018**
Raw materials	**12,690**	3,256
Work-in-progress	**2,660**	3,609
Finished goods	**5,385**	14,671
Spares and consumables	**2,651**	6,390
Stock-in-transit	**1,327**	720
	24,713	28,646
Recognised in profit or loss:		
Inventories recognised as cost of sales	**234,403**	291,794
Write-down of inventories to net realisable value	-	1,337
(Reversal of)/Provision for obsolete stocks	**(1,011)**	1,012
	233,392	294,143

The write-down of inventories to net realisable value and (reversal of)/provision for obsolete stocks are included in cost of sales.

13. Cash and cash equivalents

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
Cash and bank balances		**32,623**	46,747	**4,640**	6,213
Deposits placed with financial institutions		**6,269**	6,659	**590**	2,056
Highly liquid investments with financial institutions	13.1	**72,884**	82,891	**9,565**	16,691
		111,776	136,297	**14,795**	24,960

13.1 Highly liquid investments with financial institutions

The Directors regard the highly liquid investments with financial institutions as cash and cash equivalents in view of its high liquidity.

14. Assets classified as held for sale

In the financial year 2018, the Company entered into a Sale and Purchase Agreement with Rock Link Sdn. Bhd. to dispose off a piece of leasehold land measuring 18.21 acres in Mukim of Labu, District of Seremban, Negeri Sembilan for a cash consideration of RM21,500,000. The disposal was completed on 20 March 2019.

In the financial year 2018, the Group also designated equity securities investments amounting to RM176,000 as assets held for sale, given the Group's intention to sell these equity securities investments. The disposal was completed on 28 May 2019.

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14. Assets classified as held for sale (continued)

The assets of the disposal group are as follows:

	Group 2018	Company 2018
Assets classified as held for sale		
Investment property	19,800	19,800
Other investments – quoted shares in Malaysia	186	-
	19,986	19,800

15. Capital and reserves

15.1 Share capital

	Group and Company			
	2019		2018	
	Amount	Number of shares '000	Amount	Number of shares '000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 January	**81,920**	**167,696**	81,920	167,696
At 31 December	**81,920**	**167,696**	81,920	167,696

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

15.2 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

15.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity security designated at fair value through other comprehensive income until the investment is derecognised or impaired.

15.4 Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment prior to its reclassification as investment properties.

16. Loans and borrowings

		Group		Company	
	Note	2019	2018	2019	2018
Non-current - unsecured					
Term loans	16.1	**155,550**	152,107	**98,000**	114,827
Current - unsecured					
Term loans	16.1	**19,530**	21,695	-	9,615
Revolving credit and trade facilities	16.2	**20,000**	20,000	**20,000**	20,000
		39,530	41,695	**20,000**	29,615
		195,080	193,802	**118,000**	144,442

16.1 Unsecured term loans

i) On 30 April 2018, the Company obtained and drawdown a new unsecured term loan of RM98 million, with tenure period of 3 years at the rate of 5.25% per annum which matures on 30 April 2021. The significant covenants for the unsecured term loan are as follows:

(a) It was a condition that Permodalan Nasional Berhad shall at all time, directly or indirectly, owns at least 51% of the Company's issued and paid up share capital. During the financial year, the condition was revised to Permodalan Nasional Berhad shall at all time, direct or indirectly, be the single largest shareholder of the Company.

(b) Profit coverage ratio of not less than 2 times.

(c) Consolidated Net Worth shall not be less than RM250 million.

(d) Consolidated Total Debt to Consolidated Net Worth shall not be more than 1.5 times.

ii) The Company previously obtained a RM100 million, 5 years unsecured term loan at the rate of 4.90% per annum payable on quarterly instalments until 16 August 2021. During the financial year, the Company has fully paid this term loan in advance of its final due date.

The significant covenants for the unsecured term loan were as follows:

(a) Permodalan Nasional Berhad shall at all time, directly or indirectly, own at least 51% of the Company's issued and paid up share capital.

(b) The Company's Total Debt to Net Worth should not exceed 1.5 times.

16. **Loans and borrowings (continued)**

16.1 Unsecured term loans (continued)

iii) CCM Chemicals Sdn. Bhd. ("CCMC"), a subsidiary of the Company, obtained a RM50 million, 5 years unsecured term loan at the floating rate of approximately 4.70% per annum (2018: approximately 4.79% per annum). At 20 December 2019, CCMC had exercised the abridgement option to extend the tenure of the term loan from October 2020 to October 2022.

The significant covenants for the unsecured term loan are as follows:

(a) CCMC shall maintain a minimum Consolidated Net Worth of RM80 million during the tenure of the facility.

(b) CCMC and its subsidiaries' Consolidated Total Debt to Consolidated Net Worth ratio shall not at all times exceed 1.5 times.

(c) CCMC's Profit Coverage Ratio shall not be less than 2.0 times.

(d) CCMC's Debt Service Ratio shall not at all times be less than 1.25 times.

iv) During the financial year, CCMC obtained a RM40 million, 5 years unsecured term loan at the floating rate of approximately 5.10% per annum which matures on 28 February 2024.

The significant covenants for the unsecured term loan are as follows:

(a) CCMC's Gearing Ratio shall not exceed 1.5 times. Gearing is defined as Total Debts over Tangible Net Worth.

(b) CCMC shall maintain a minimum Finance Service Cover Ratio ("FSCR") of 1.25 times. FSCR is defined as Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")/(Profit plus Current Portion of Long Term Debt).

(c) CCMC shall maintain a minimum Consolidated Net Worth of RM100 million during the tenure of the facility.

v) CCM Polymers Sdn. Bhd. ("CCMP"), a subsidiary of the Company, obtained a RM10.4 million, 5 years unsecured term loan at the floating rate of approximately 4.08% per annum (2018: approximately 5.05% per annum) which matures on 25 May 2023.

The significant covenants for the unsecured term loan are as follows:

(a) CCMP's Total Debt to Net Worth shall not exceed 1.5 times.

(b) CCMP's Finance Service Cover Ratio ("FSCR") of not less than 1.2 times.

16.2 Unsecured revolving credit and trade facilities

The Company has utilised the revolving credit and trade facilities from various banks and subject to fulfilment of the following covenants:

i) Letter of Comfort from Chemical Company of Malaysia Berhad.
ii) The Company shall maintain a Gearing Ratio of not more than 1.5 times.
iii) The Company shall maintain Debt Service Coverage Ratio of at least 2.0 times Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

17. Trade and other payables

	Note	Group 2019	Group 2018	Company 2019	Company 2018
Current					
Trade					
Trade payables		**46,281**	41,889	**-**	-
Non-trade					
Accruals		**12,363**	3,506	**2,905**	4,651
Amount due to related companies		**-**	113	**-**	5
Amount due to an associate		**65**	81	**65**	80
Amount due to subsidiaries	17.1	**-**	-	**12,326**	13,315
Other payables		**7,104**	615	**874**	578
Deposit		**1,044**	107	**-**	-
		20,576	4,422	**16,170**	18,629
Total current		**66,857**	46,311	**16,170**	18,629

17.1 The non-trade amount due to subsidiaries are unsecured, profit-free and repayable on demand.

18. Revenue

	Note	2019	2018
Group			
Revenue from contracts with customers	18.1	**384,938**	395,537
Rental income from investment properties		**282**	402
		385,220	395,939
Company			
Rental income from investment properties		**282**	1,841
Dividend income		**18,879**	21,501
		19,161	23,342

18. **Revenue (continued)**

18.1 Disaggregation of revenue

	Reporting segments					
	Chemicals		Polymers		Total	
Group	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Primary geographical markets						
Malaysia	**261,186**	270,371	**63,388**	62,515	**324,574**	332,886
Indonesia	**3,286**	1,187	**6,959**	9,868	**10,245**	11,055
Singapore	**21,779**	30,183	**-**	-	**21,779**	30,183
Thailand	**-**	-	**20,323**	13,985	**20,323**	13,985
Other countries	**2,902**	3,642	**5,115**	3,786	**8,017**	7,428
	289,153	305,383	**95,785**	90,154	**384,938**	395,537
Major products and service line						
Manufactured products	**199,829**	262,519	**92,720**	87,442	**292,549**	349,961
Trading products	**89,324**	42,864	**3,065**	2,712	**92,389**	45,576
	289,153	305,383	**95,785**	90,154	**384,938**	395,537
Timing and recognition						
At a point in time	**289,153**	305,383	**95,785**	90,154	**384,938**	395,537
Revenue from contracts with customers	**289,153**	305,383	**95,785**	90,154	**384,938**	395,537

18. Revenue (continued)

18.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Manufactured products and trading products	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.

19. Finance costs

	Group		Company	
	2019	**2018**	**2019**	**2018**
Finance costs of financial liabilities that are not at fair value through profit or loss:				
- Revolving credits	**905**	958	**905**	938
- Bankers' acceptances	**-**	21	**-**	-
- Unsecured term loans	**9,318**	17,882	**5,591**	16,043
Finance costs on lease liabilities	**101**	-	**40**	-
Other finance costs	**338**	2,210	**338**	822
	10,662	21,071	**6,874**	17,803
Recognised in profit or loss	**6,710**	21,071	**6,874**	17,803
Finance costs of financial liabilities that are not at fair value through profit or loss capitalised into qualifying assets – property, plant and equipment	**3,900**	-	**-**	-
Finance costs on lease liabilities capitalised into qualifying assets – property, plant and equipment	**52**	-	**-**	-
	10,662	21,071	**6,874**	17,803

20. Tax expense/(income)

Recognised in profit or loss

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
Tax expense/(income)		**10,291**	20,872	**(5,044)**	4,534
Share of tax of equity-accounted associate		**157**	729	**-**	-
Total tax expense/(income)		**10,448**	21,601	**(5,044)**	4,534
Major components of income tax expense/(income) include:					
Current tax expense					
Malaysian - current year		**9,098**	16,163	**63**	117
- prior years		**(1,898)**	3,146	**48**	3,570
Total current tax recognised in profit or loss		**7,200**	19,309	**111**	3,687

20. Tax expense/(income) (continued)

Recognised in profit or loss (continued)

	Note	Group 2019	Group 2018	Company 2019	Company 2018
Deferred tax expense/(income)					
Origination and reversal of temporary differences		**236**	(8,135)	**(1,041)**	(9,038)
Under/(Over) provision in prior years		**2,855**	270	**(4,114)**	457
Total deferred tax recognised in profit or loss	9	**3,091**	(7,865)	**(5,155)**	(8,581)
		10,291	11,444	**(5,044)**	(4,894)
Real Property Gains Tax		**-**	9,428	**-**	9,428
Share of tax of equity-accounted associate		**157**	729	**-**	-
Total tax expense/(income)		**10,448**	21,601	**(5,044)**	4,534

Reconciliation of effective tax rate

	Group 2019	Group 2018	Company 2019	Company 2018
	%	%	**%**	%
Profit before tax	**100**	100	**100**	100
Income tax calculated using Malaysian tax rate of 24%	**24**	24	**24**	24
Non-deductible expenses	**16**	14	**223**	88
Non-taxable income	**(3)**	(5)	**(293)**	(110)
Under/(Over) provision in prior years	**3**	7	**(191)**	56
Effect of unrecognised deferred tax assets	**(1)**	-	**-**	-
	39	40	**(237)**	58

21. Profit for the year

	Note	Group		Company	
		2019	2018	2019	2018
Profit for the year is arrived at after charging/ (crediting):					
Auditors' remuneration:					
- Statutory audit					
KPMG PLT		**270**	278	**77**	75
Other auditors		**74**	90	**-**	-
- Other services					
KPMG PLT		**30**	40	**30**	40
Material expenses/(income)					
Depreciation of property, plant and equipment	3	**21,386**	22,923	**4,584**	3,329
Depreciation of right-of-use assets	4	**2,520**	-	**1,115**	-
Impairment loss/(Reversal of impairment loss) on:					
- Property, plant and equipment	3	**469**	-	**390**	-
- Investments in subsidiaries		**-**	-	**780**	(5,379)
- Provision for obsolete stocks	12	**(1,011)**	1,012	**-**	-
Change in fair value of investment properties	5	**(450)**	-	**(350)**	(220)
Profit income:					
- Subsidiaries		**-**	-	**(437)**	(423)
- Highly liquid investments with financial institutions		**(3,164)**	(4,230)	**(524)**	(2,955)
- Other cash and cash equivalents		**(825)**	(1,761)	**(85)**	(291)
Dividend income from:					
- Assets held for sale – other investment – quoted shares in Malaysia		**(4)**	(6)	**-**	-
- Subsidiaries		**-**	-	**(18,879)**	(21,496)
- A related party		**-**	(5)	**-**	(5)
Net (gain)/loss on disposal of:					
- Property, plant and equipment		**(21)**	28	**-**	1
- Assets held for sale – investment properties		**(1,094)**	(4,100)	**(1,094)**	(4,100)
Personnel expenses (including key management personnel)					
- Contribution to Employees Provident Fund		**5,291**	4,956	**1,377**	1,140
- Wages, salaries and others		**29,997**	32,295	**6,992**	6,670
Property, plant and equipment written off	3	**336**	304	**-**	-
Fair value gain on other investment		**(80)**	-	**(80)**	-

21. Profit for the year (continued)

		Group		Company	
	Note	2019	2018	2019	2018
Profit for the year is arrived at after charging/ (crediting) (continued):					
Material expenses/(income) (continued)					
Write-down of inventories to net realisable value	12	**-**	1,337	**-**	-
Net realised foreign exchange loss/(gain)		**99**	686	**-**	(5)
Net unrealised foreign exchange loss/(gain)		**1,777**	353	**(139)**	201
Expenses/(income) arising from leases					
Expenses relating to short-term leases	a	**481**	-	**18**	-
Expenses relating to leases of low-value assets	a	**385**	-	**141**	-
Rental expenses in respect of:					
- Property leases		**-**	2,415	**-**	1,223
- Properties		**-**	283	**-**	18
- Equipment		**-**	293	**-**	111
Rental income from investment properties		**(282)**	(402)	**(282)**	(1,841)
Net loss on impairment/(reversal of impairment) of financial instruments					
Financial assets at amortised cost					
- Trade receivables		**1,364**	(3,429)	**-**	-
- Other receivables		**148**	-	**148**	-
- Amount due from subsidiaries		**-**	-	**(1,966)**	(4,455)

Note a

The Group leases office equipment with contract terms of 1 to 3 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

22. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2019 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2019	**2018**
Profit for the year attributable to ordinary shareholders	**15,381**	25,695
Weighted average number of ordinary shares at 31 December ('000)	**167,696**	167,696
	Sen	**Sen**
Basic earnings per ordinary share	**9.17**	15.32

Diluted earnings per ordinary share

No diluted earnings per ordinary share is presented as there is no adjustment for the effects of all dilutive potential ordinary shares as at 31 December 2019 and 31 December 2018.

23. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount	Date of payment
2019			
Second interim 2018 ordinary	**4.00**	**6,708**	**31 January 2019**
Final 2018 ordinary	**2.00**	**3,354**	**14 June 2019**
Interim 2019 ordinary	**3.00**	**5,031**	**27 December 2019**
Total amount		**15,093**	
2018			
First interim 2018 ordinary	3.00	5,031	29 June 2018

After the end of reporting period, the following final dividend was proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount
Final 2019 ordinary	**2.00**	**3,354**

24. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Chemicals	- Manufacturing and marketing of chlor-alkali and coagulant products, industrial and specialty chemicals.
Polymers	- Manufacturing and selling of industrial cleaner and hydrogel coating products.

Other non-reportable segments comprise operations related to the investment holding company and rental of investment property. None of these segments met the quantitative thresholds for reporting segments in 2019 and 2018.

Performance is measured based on segment profit after tax, finance costs, finance income, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total assets is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Managing Director. Hence, no disclosure is made on segment liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

24. Operating segments (continued)

	Chemicals		Polymers		Others		Eliminations		Consolidated	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Segment profit	**15,932**	41,179	**10,945**	14,330	**8,340**	14,623	**(19,145)**	(39,388)	**16,072**	30,744
Included in the measure of segment profit are:										
Total external revenue	**289,153**	305,383	**95,785**	90,154	**282**	402	**-**	-	**385,220**	395,939
Inter-segment revenue	**4,787**	8,055	**336**	4,511	**18,878**	22,935	**(24,001)**	(35,501)	**-**	-
Write-down of inventories	**-**	(1,337)	**-**	-	**-**	-	**-**	-	**-**	(1,337)
Impairment of property, plant and equipment	**(79)**	-	**-**	-	**(390)**	-	**-**	-	**(469)**	-
Depreciation and amortisation	**(19,398)**	(18,984)	**(1,346)**	(574)	**(3,162)**	(3,330)	**-**	(35)	**(23,906)**	(22,923)
Finance costs	**-**	(2,892)	**(525)**	(374)	**(6,185)**	(17,805)	**-**	-	**(6,710)**	(21,071)
Finance income	**1,746**	1,280	**1,478**	1,223	**1,202**	3,911	**(437)**	(423)	**3,989**	5,991
Tax (expense)/income	**(10,958)**	(9,440)	**(5,519)**	(4,890)	**6,186**	(6,542)	**-**	-	**(10,291)**	(20,872)
Share of profit of equity-accounted associate	**1,716**	1,510	**-**	-	**-**	-	**-**	-	**1,716**	1,510

24. Operating segments (continued)

	Chemicals		Polymers		Others		Eliminations		Consolidated	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Segment assets										
Included in the measure of segment assets are:	**377,621**	328,135	**208,949**	203,288	**308,667**	357,946	**(288,826)**	(314,114)	**606,411**	575,255
Investment in an associate	**15,369**	13,582	**-**	-	**-**	-	**-**	71	**15,369**	13,653
Additions to non-current assets other than financial instrument and deferred tax assets	**103,053**	30,566	**2,928**	24,340	**238**	127	**-**	-	**106,219**	55,033

Geographical segments

The Chemicals and Polymers business segments are managed on a worldwide basis, but operate in four principal geographical areas, Malaysia, Indonesia, Singapore and Thailand.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical segments	Malaysia		Singapore		Indonesia		Thailand		Other regions		Consolidated	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
External revenue	**324,856**	333,288	**21,779**	30,183	**10,245**	11,055	**20,323**	12,985	**8,017**	8,428	**385,220**	395,939
Segment assets	**601,592**	564,407	**353**	436	**1,531**	7,418	**2,935**	2,994	**-**	-	**606,411**	575,255

25. Financial instruments

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through other comprehensive income ("FVOCI")
    - Equity instrument designated upon initial recognition ("EIDUIR")
(c) Fair value through profit or loss ("FVTPL")
    - Mandatorily required by MFRS 9

	Note	Carrying amount	AC	FVOCI-EIDUIR	Mandatorily at FVTPL
2019					
Financial assets					
Group					
Other investment	10	**280**	**-**	**-**	**280**
Trade and other receivables (excludes prepayments)	11	**76,521**	**76,521**	**-**	**-**
Cash and cash equivalents	13	**111,776**	**38,892**	**-**	**72,884**
		188,577	**115,413**	**-**	**73,164**
Company					
Other investment	10	**280**	**-**	**-**	**280**
Trade and other receivables (excludes prepayments)	11	**35,549**	**35,549**	**-**	**-**
Cash and cash equivalents	13	**14,795**	**5,230**	**-**	**9,565**
		50,624	**40,779**	**-**	**9,845**
Financial liabilities					
Group					
Loans and borrowings	16	**(195,080)**	**(195,080)**	**-**	**-**
Trade and other payables	17	**(66,857)**	**(66,857)**	**-**	**-**
		(261,937)	**(261,937)**	**-**	**-**
Company					
Loans and borrowings	16	**(118,000)**	**(118,000)**	**-**	**-**
Trade and other payables	17	**(16,170)**	**(16,170)**	**-**	**-**
		(134,170)	**(134,170)**	**-**	**-**

25. Financial instruments (continued)

25.1 Categories of financial instruments (continued)

	Note	Carrying amount	AC	FVOCI-EIDUIR	Mandatorily at FVTPL
2018					
Financial assets					
Group					
Other investment	10	200	-	-	200
Other investment, reclassified as assets held for sale	14	186	-	186	-
Trade and other receivables (excludes prepayments)	11	87,436	87,436	-	-
Cash and cash equivalents	13	136,297	53,406	-	82,891
		224,119	140,842	186	83,091
Company					
Other investment	10	200	-	-	200
Trade and other receivables (excludes prepayments)	11	41,243	41,243	-	-
Cash and cash equivalents	13	24,960	8,269	-	16,691
		66,403	49,512	-	16,891
Financial liabilities					
Group					
Loans and borrowings	16	(193,802)	(193,802)	-	-
Trade and other payables	17	(46,311)	(46,311)	-	-
		(240,113)	(240,113)	-	-
Company					
Loans and borrowings	16	(144,442)	(144,442)	-	-
Trade and other payables	17	(18,629)	(18,629)	-	-
		(163,071)	(163,071)	-	-

25. Financial instruments (continued)

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019	**2018**	**2019**	**2018**
Net gains/(losses) on:				
Financial assets at amortised cost	**(2,563)**	4,151	**2,479**	4,973
Financial liabilities at amortised cost	**(10,561)**	(21,071)	**(6,834)**	(17,803)
Equity instruments designated at fair value through other comprehensive income:				
- recognised in other comprehensive income	**(10)**	14,053	**-**	14,021
- recognised in profit or loss	**4**	6	**-**	-
Financial asset at fair value through profit or loss:				
- mandatorily required by MFRS 9	**3,244**	4,230	**604**	2,955
	(9,886)	1,369	**(3,751)**	4,146

25.3 Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries. There are no significant changes as compared to prior periods.

25. Financial instruments (continued)

25.4 Credit risk (continued)

(i) Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Concentration of credit risk

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2019	**2018**
Malaysia	**61,774**	64,178
Indonesia	**3,999**	1,439
Singapore	**267**	5,447
Thailand	**3,327**	2,801
Others	**1,076**	1,055
	70,443	74,920

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25. Financial instruments (continued)

25.4 Credit risk (continued)

(i) Trade receivables (continued)

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 180 days. The Group's debt recovery process is as follows:

(a) Immediately after past due date, the Group will start to initiate a structured debt recovery process which is monitored by sales management team; and

(b) Above 180 days past due, the Group will commence a legal proceeding against the customer.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 180 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 180 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables.

Group	Gross carrying amount	Loss allowance	Net balance
2019			
Current (not past due)	**49,727**	**(126)**	**49,601**
1-30 days past due	**14,328**	**(72)**	**14,256**
31-180 days past due	**7,653**	**(1,067)**	**6,586**
	71,708	**(1,265)**	**70,443**
Credit impaired			
More than 180 days past due	**19,731**	**(19,731)**	**-**
	91,439	**(20,996)**	**70,443**

25. **Financial instruments (continued)**

25.4 Credit risk (continued)

(i) Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

Group	Gross carrying amount	Loss allowance	Net balance
2018			
Current (not past due)	54,862	(121)	54,741
1-30 days past due	14,413	(126)	14,287
31-180 days past due	6,559	(667)	5,892
	75,834	(914)	74,920
Credit impaired			
More than 180 days past due	18,718	(18,718)	-
	94,552	(19,632)	74,920

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

Group	Trade receivables Lifetime ECL	Credit impaired	Total
Balance at 1 January 2018	3,063	19,998	23,061
Net remeasurement of loss allowance	(2,149)	(1,280)	(3,429)
Balance at 31 December 2018/1 January 2019	**914**	**18,718**	**19,632**
Net remeasurement of loss allowance	**351**	**1,013**	**1,364**
Balance at 31 December 2019	**1,265**	**19,731**	**20,996**

(ii) Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

25. Financial instruments (continued)

25.4 Credit risk (continued)

(iii) Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Group and the Company recognised impairment loss of RM148,000 on other receivables which are long outstanding, and deemed not recoverable.

(iv) Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide unsecured loans and advances to subsidiaries, related companies and an associate. The Group and the Company monitor the ability of the subsidiaries, related companies and an associate to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment losses

Generally, the Group and the Company consider loans and advances to subsidiaries, related companies and an associate have low credit risk. The Group and the Company assume that there is a significant increase in credit risk when a subsidiary's, a related company's or an associate's financial position deteriorates significantly. As the Group and the Company are able to determine the timing of payments of the subsidiaries', related companies' and an associate's loans and advances when they are payable, the Group and the Company consider the loans and advances to be in default when the subsidiaries, related companies and an associate are not able to pay when demanded. The Group and the Company consider a subsidiary's, a related company's and an associate's loans or advances to be credit impaired when:

- The subsidiary, related company and associate are unlikely to repay their loan or advance to the Group and the Company in full; or

- The subsidiary, related company and associate are continuously loss making and are having a deficit shareholders' fund.

25. Financial instruments (continued)

25.4 Credit risk (continued)

(iv) Inter-company loans and advances (continued)

Recognition and measurement of impairment losses (continued)

The Group and the Company determine the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries', related companies' and an associate's loans and advances as at 31 December.

	Gross carrying amount	Impairment loss allowances	Net balance
Group			
2019			
Low credit risk	**3,082**	**-**	**3,082**
2018			
Low credit risk	6,092	-	6,092
Company			
2019			
Low credit risk	**34,849**	**-**	**34,849**
Credit impaired	**111,074**	**(110,998)**	**76**
	145,923	**(110,998)**	**34,925**
2018			
Low credit risk	35,329	-	35,329
Credit impaired	116,963	(112,964)	3,999
	152,292	(112,964)	39,328

The movement in the allowance for impairment in respect of subsidiaries' loans and advances during the year is as follows:

Company	**Lifetime ECL**
Balance at 1 January 2018	117,419
Net remeasurement of loss allowance	(4,455)
Balance at 31 December 2018/1 January 2019	**112,964**
Net remeasurement of loss allowance	**(1,966)**
Balance at 31 December 2019	**110,998**

25. Financial instruments (continued)

25.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

	Carrying amount	Contractual profit rate %	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
Group						
2019						
Non-derivative financial liabilities						
Unsecured term loan	**175,080**	**4.80 – 5.25**	**190,183**	**20,543**	**127,461**	**42,179**
Unsecured revolving credit and trade facilities	**20,000**	**4.46 – 5.27**	**20,920**	**20,920**	-	-
Lease liabilities	**1,074**	**4.70 – 5.07**	**1,102**	**976**	**126**	-
Trade and other payables	**66,857**	–	**66,857**	**66,857**	-	-
	263,011		**279,062**	**109,296**	**127,587**	**42,179**
2018						
Non-derivative financial liabilities						
Unsecured term loan	173,802	4.81 – 5.25	198,429	22,785	23,930	151,714
Unsecured revolving credit and trade facilities	20,000	4.46 – 5.27	20,973	20,973	-	-
Trade and other payables	46,311	–	46,311	46,311	-	-
	240,113		265,713	90,069	23,930	151,714

25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount	Contractual profit rate %	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
Company						
2019						
Non-derivative financial liabilities						
Unsecured term loan	**98,000**	**5.25**	**104,206**	**-**	**104,206**	**-**
Unsecured revolving credit and trade facilities	**20,000**	**3.92 – 5.02**	**20,920**	**20,920**	**-**	**-**
Lease liabilities	**191**	**5.07**	**192**	**192**	**-**	**-**
Trade and other payables	**16,170**	**–**	**16,170**	**16,170**	**-**	**-**
	134,361		**141,488**	**37,282**	**104,206**	**-**
2018						
Non-derivative financial liabilities						
Unsecured term loan	124,442	5.25	143,440	10,120	10,652	122,668
Unsecured revolving credit and trade facilities	20,000	4.46 – 5.27	20,973	20,973	-	-
Trade and other payables	18,629	–	18,629	18,629	-	-
	163,071		183,042	49,722	10,652	122,668

25. **Financial instruments (continued)**

25.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and other prices that will affect the Group's financial position or cash flows.

25.6.1 Profit rate risk

The Group's fixed rate borrowing and highly liquid investments with financial institutions are exposed to a risk of change in their fair value due to changes in profit rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in profit rates. Investments in equity investments and short-term receivables and payables are not significantly exposed to profit rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's exposure to the risk of changes in profit rates relates primarily to the floating profit rate unsecured term loans. Changes in the profit rate may expose the Group to a risk of change in cash flows.

The excess fund placed with licensed banks and other financial institutions and corporations are for certain periods during which the profit rates are fixed. The management reviews the profit rates at regular intervals.

Exposure to profit rate risk

The profit rate profile of the Group's and the Company's significant profit-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
Fixed rate instruments				
Financial assets	**79,153**	89,550	**10,155**	18,747
Financial liabilities	**(98,000)**	(98,000)	**(98,000)**	(98,000)
	(18,847)	(8,450)	**(87,845)**	(79,253)
Floating rate instruments				
Financial assets	**-**	-	**11,853**	22,778
Financial liabilities	**(97,080)**	(95,802)	**(20,000)**	(46,442)
	(97,080)	(95,802)	**(8,147)**	(23,664)

25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.1 Profit rate risk (continued)

Profit rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points ("bp") in profit rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2019		2018	
	Profit or (loss)		Profit or (loss)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Group				
Fixed rate instruments – highly liquid investments in financial institutions	**554**	**(554)**	630	(630)
Company				
Fixed rate instruments – highly liquid investments in financial institutions	**73**	**(73)**	127	(127)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in profit rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2019		2018	
	Profit or (loss)		Profit or (loss)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Group				
Floating rate instruments	**(738)**	**738**	(728)	728
Company				
Floating rate instruments	**(62)**	**62**	(180)	180

25. **Financial instruments (continued)**

25.6 Market risk (continued)

25.6.2 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily U.S. Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure on foreign currency risk arising from commercial transactions is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

	Denominated in USD	
	2019	**2018**
Group		
Trade receivables	**4,906**	2,443
Trade payables	**(7,635)**	(877)
Net exposure in the statements of financial position	**(2,729)**	1,566

Currency risk sensitivity analysis

A 10% (2018: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currency at the end of the reporting period would have increased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular profit rates, remain constant and ignores any impact of forecasted transactions.

	Profit or Loss	
	2019	**2018**
Group		
USD	**207**	(119)

A 10% (2018: 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.3 Other price risk

Equity price risk arises from the Group's investment in equity investments.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Group.

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI").

In the previous financial year, a 10% strengthening in FBMKLCI at the end of the reporting period would have increased post-tax profit by RM18,600 for equity investments classified as fair value through other comprehensive income. A 10% weakening in FBMKLCI would have had equal but opposite effect on equity. There is no equity investment held by the Group as at the end of current financial year.

25. Financial instruments (continued)

25.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2019										
Group										
Financial assets										
Other investment – club membership	-	-	280	280	-	-	-	-	280	280
Highly liquid investments with financial institutions	72,884	-	-	72,884	-	-	-	-	72,884	72,884
Financial liabilities										
Unsecured term loan	-	-	-	-	-	-	(175,081)	(175,081)	(175,081)	(175,080)
	72,884	-	280	73,164	-	-	(175,081)	(175,081)	(101,917)	(101,916)

25. Financial instruments (continued)

25.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2018										
Group										
Financial assets										
Other investment – assets held for sale – quoted shares	186	-	-	186	-	-	-	-	186	186
Other investment – club membership	-	-	200	200	-	-	-	-	200	200
Highly liquid investments with financial institutions	82,891	-	-	82,891	-	-	-	-	82,891	82,891
Financial liabilities										
Unsecured term loan	-	-	-	-	-	-	(173,803)	(173,803)	(173,803)	(173,802)
	83,077	-	200	83,277	-	-	(173,803)	(173,803)	(90,526)	(90,525)

25. Financial instruments (continued)

25.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2019										
Company										
Financial assets										
Other investment – club membership	-	-	**280**	**280**	-	-	-	-	**280**	**280**
Highly liquid investments with financial institutions	**9,565**	-	-	**9,565**	-	-	-	-	**9,565**	**9,565**
Financial liabilities										
Unsecured term loan	-	-	-	-	-	-	**(98,001)**	**(98,001)**	**(98,001)**	**(98,000)**
	9,565	-	**280**	**9,845**	-	-	**(98,001)**	**(98,001)**	**(88,156)**	**(88,155)**
2018										
Company										
Financial assets										
Other investment – club membership	-	-	200	200	-	-	-	-	200	200
Highly liquid investments with financial institutions	16,691	-	-	16,691	-	-	-	-	16,691	16,691
Financial liabilities										
Unsecured term loan	-	-	-	-	-	-	(124,443)	(124,443)	(124,443)	(124,442)
	16,691	-	200	16,891	-	-	(124,443)	(124,443)	(107,552)	(107,551)

25. Financial instruments (continued)

25.7 Fair value information (continued)

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2018: no transfer in either direction).

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

	Group and Company	
	2019	**2018**
Other investment		
At 1 January	**200**	200
Gains recognised in profit or loss	**80**	-
At 31 December	**280**	200

The following table shows the valuation technique used in the determination of fair value within Level 3, as well as the significant unobservable inputs used in the valuation model.

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Other investment – club membership	The fair value of club membership is based on published membership fee in the current Club Prospectus, adjusted for transfer fees.	Membership fees	The estimated fair value would increase/(decrease) if membership fee is higher/(lower).

26. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants.

The Group is required to maintain a maximum debt-to-equity ratio of 1.50 to comply with bank covenants, failing which, the banks may call for event of default.

The debt-to-equity ratio at 31 December 2019 and at 31 December 2018 were as follows:

		Group	
	Note	**2019**	**2018**
Loans and borrowings	16	**195,080**	193,802
Lease liabilities		**1,074**	-
Total debt		**196,154**	193,802
Total equity		**326,054**	318,974
Debt-to-equity ratios		**0.60:1**	0.61:1

There was no change in the Group's approach to capital management during the financial year.

27. Capital and other commitments

	Group		Company	
	2019	**2018**	**2019**	**2018**
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for	**49,200**	31,726	**-**	-
Intangible asset				
Contracted but not provided for	**5,500**	-	**5,500**	-

28. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management of the Group.

The Group has related party relationship with its holding company, significant investors, subsidiaries, associate and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 29) are shown below. The balances related to the below transactions are shown in Notes 11 and 17.

	Transaction value year ended	
	2019	**2018**
Group		
Dividend income from a related party	**-**	5
Proceeds from disposal of other investment	**-**	59,156
Lease liability/Rental expense to holding company	**(1,150)**	(1,223)
Income from IT services and IT shared cost charged to related companies	**5,291**	4,865
Management fee charged to related parties	**-**	16
Consultancy fees to a firm of which a director is a member	**15**	-
Rental income from an associate	**282**	322
Company		
Dividend income from a related party	**-**	5
Dividend income from subsidiaries	**18,879**	21,496
Income from IT services and IT shared cost charged to related companies	**5,291**	4,865
Income from IT services and IT shared cost charged to subsidiaries	**1,642**	656
Management fee charged to subsidiaries	**3,125**	5,246
Management fee charged to related parties	**-**	16
Proceeds from disposal of other investment	**-**	59,156
Lease liability/Rental expense to holding company	**(1,150)**	(1,223)
Rental income from subsidiaries	**-**	1,439
Rental income from an associate	**282**	322

29. **Key management personnel compensation**

	Group		Company	
	2019	**2018**	**2019**	**2018**
Directors:				
- Fees	**796**	770	**769**	641
- Remuneration	**1,395**	1,183	**1,395**	1,182
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**54**	58	**54**	58
	2,245	2,011	**2,218**	1,881
Other key management personnel:				
- Remuneration	**3,771**	3,405	**1,931**	1,844
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**87**	133	**52**	67
	3,858	3,538	**1,983**	1,911

Other key management personnel comprise of certain members of senior management of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

30. **Significant changes in accounting policies**

During the year, the Group and the Company adopted:

30.1 MFRS 16, *Leases*

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretations 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 using the modified retrospective approach.

30. Significant changes in accounting policies (continued)

30.1 MFRS 16, *Leases* (continued)

As a lessee (continued)

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 4.90%. Right-of-use assets are measured at an amount equal to the lease liabilities at 1 January 2019, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;

- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and

- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

30. **Significant changes in accounting policies (continued)**

30.1 MFRS 16, *Leases* (continued)

Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented. There are no adjustments to the opening balance of retained earnings of the Group and the Company at 1 January 2019.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	Group
Operating lease commitments at 31 December 2018	3,308
Discounted using the incremental borrowing rate at 1 January 2019	**3,178**
Recognition exemption for short-term leases	**(25)**
Recognition exemption for leases of low-value assets	**(239)**
Lease liabilities recognised at 1 January 2019	**2,914**

30.2 Amendments to MFRS 123, *Borrowing Costs* (Annual Improvements 2015-2017 Cycle)

In previous years, borrowing costs relating to a specific qualifying asset was capitalised into the cost of the asset. The capitalisation of borrowing costs ceased when substantially all activities necessary to prepare the qualifying asset for its intended use or sale were completed. Any borrowing costs incurred subsequently were expensed off to profit or loss.

Following the adoption of Amendments to MFRS 123 (Annual Improvements 2015-2017 Cycle), general borrowings now include specific borrowings which no longer have qualifying assets. Accordingly, the Group has capitalised borrowing costs for specific borrowings where the qualifying asset is no longer available. Capitalisation rate is determined as the weighted average of the borrowings of the Group outstanding during the period.

Impacts on financial statements

The capitalisation rate of borrowing costs for financial year ended 31 December 2019 is 4.71%.

	Group
Impact of borrowing costs capitalisation at 31 December 2019:	
Increase in property, plant and equipment	**2,330**
Increase in deferred tax liabilities	**559**
Increase in retained earnings	**1,771**

STATEMENT BY DIRECTORS
pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 116 to 209 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

Dato' Idris bin Kechot
Director

Nik Fazila binti Nik Mohamed Shihabuddin
Director

Kuala Lumpur,

Date: 12 March 2020

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Fakhrul-Azman bin Nawi**, the officer primarily responsible for the financial management of Chemical Company of Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 116 to 209 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Fakhrul-Azman bin Nawi, NRIC: 671102-03-5341, MIA CA: 15762, at Kuala Lumpur in the Federal Territory on 12 March 2020.

Fakhrul-Azman bin Nawi

Before me:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CHEMICAL COMPANY OF MALAYSIA BERHAD
(Company No. 196301000263 (5136-T)) (Incorporated in Malaysia)

Opinion

We have audited the financial statements of Chemical Company of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 116 to 209.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill

Refer to Note 2(f) and Note 2(k) for significant accounting policies and Note 6 "Intangible Assets".

The key audit matter	How the matter was addressed in our audit
At 31 December 2019, the Group's consolidated statements of financial position includes goodwill amounting to RM94.1 million, contained within a cash-generating unit ("CGU"). Impairment of goodwill is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statements of financial position and due to the judgement involved in the assessment of the 'value in use' of the CGU performed by the Directors. The judgement relates to the future results of the CGU and the discount rates applied to future forecasted cash flows.	Our procedures included, amongst others: • We challenged the Group's assumptions and estimates used to determine the recoverable value of the CGU, including those relating to forecast revenue, cost, capital expenditure and discount rates by corroborating the key market related assumptions to external data; • We assessed the historical accuracy of cash flow forecast of the Group; • We performed sensitivity analysis in two main areas. These included the discount rates and gross profit margins on the CGU; and • We assessed the adequacy of the disclosure of the assumptions and estimates made by the Directors.

Key Audit Matters (continued)

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Director's Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Abdullah Abu Samah
Approval Number: 02013/06/2020 J
Chartered Accountant

Petaling Jaya

Date: 12 March 2020

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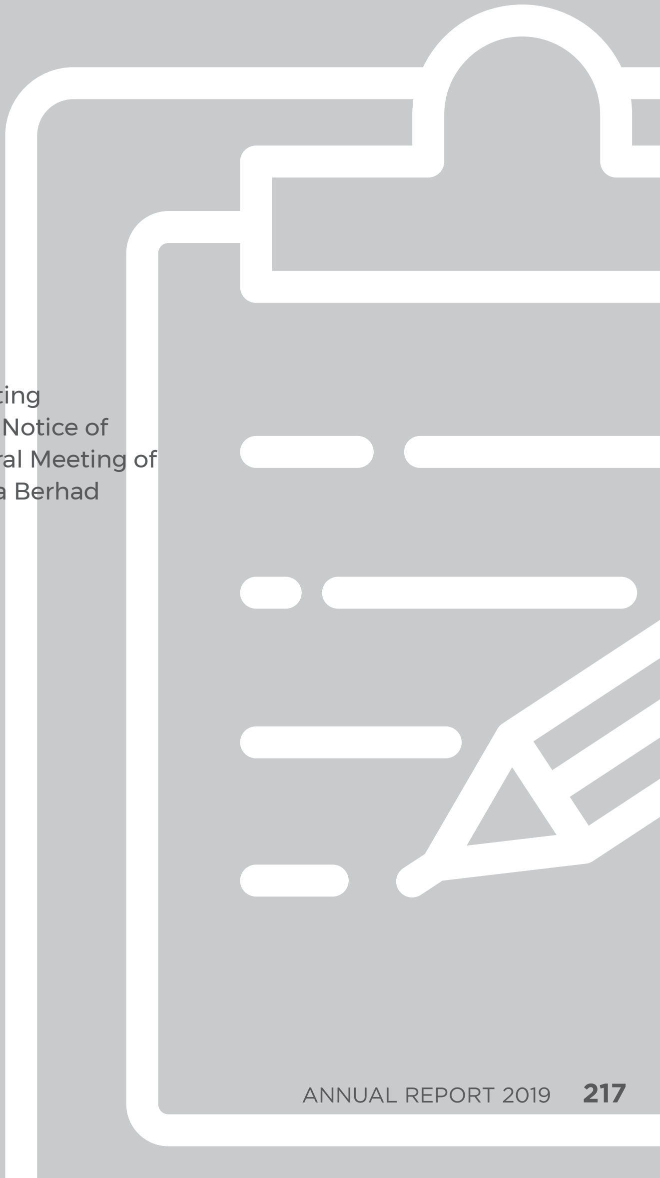

ANALYSIS OF SHAREHOLDINGS
As at 15 April 2020

Total Number of Issued Shares : 167,695,988
Class of Shares : Ordinary Shares
Number of Shareholders : 5,186
Voting Rights : One vote per ordinary Share

DISTRIBUTION OF SHAREHOLDINGS as at 15 April 2020

Size of Shareholdings	No. of Shareholders	% of shareholders	No. of shares	% of Issued Share Capital
Less than 100	937	18.07	17,483	0.01
100 – 1,000	1,510	29.12	820,595	0.49
1,001 – 10,000	2,159	41.63	8,218,708	4.90
10,001 – 100,000	501	9.66	14,577,066	8.69
100,001 to less than 5% of issued shares	78	1.50	67,612,649	40.32
5% and above of issued shares	1	0.02	76,449,487	45.59
Total	5,186	100.00	167,695,988	100.00

SUBSTANTIAL SHAREHOLDINGS as at 15 April 2020

Name of shareholders	Direct Holdings		Indirect Holdings	
	No.	%	No.	%
Permodalan Nasional Berhad	76,449,487	45.59	-	-
Yayasan Pelaburan Bumiputera[1]	-	-	76,449,487	45.59

[1] Deemed interest by virtue of its substantial interest in Permodalan Nasional Berhad pursuant to Section 8 of the Companies Act 2016

Directors' Direct and Indirect Interests in the Company and of its related Companies.

None of the Directors holding office as at 15 April 2020 had any interest in the ordinary shares and options of the Company and its related companies during the financial year under review.

Top 30 Shareholders as at 15 April 2020

No.	Name	Holdings	Percentage (%)
1.	PERMODALAN NASIONAL BERHAD	76,449,487	45.59
2.	AMANAHRAYA TRUSTEES BERHAD - Amanah Saham Malaysia	8,000,000	4.77
3.	PUBLIC NOMINEES (ASING) SDN BHD Pledged Securities Account for Billion Victory Sdn Bhd (KLC)	6,000,000	3.58
4.	AMANAHRAYA TRUSTEES BERHAD - Amanah Saham Bumiputera	5,000,000	2.98
5.	AMANAHRAYA TRUSTEES BERHAD - Amanah Saham Bumiputera 3 - Didik	5,000,000	2.98
6.	CIMB GROUP NOMINEES (ASING) SDN BHD - Exempt AN for DBS Bank Ltd (SFS)	3,394,600	2.02
7.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - Universal Trustee (Malaysia) Berhad for Principal Islamic Small Cap Opportunities Fund	2,805,533	1.67
8.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD - Deutsche Trustees (Malaysia) Berhad for Eastspring Investments Small-Cap Fund	2,513,000	1.50
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - Employees Provident Fund Board (CIMB-Prin)	2,452,000	1.46
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - Employees Provident Fund Board (Am Inv)	2,357,000	1.41
11.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD - Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund	2,066,200	1.23
12.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - Maybank Trustees Berhad for CIMB-Principal Small Cap Fund	2,058,266	1.23
13.	HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	2,015,566	1.20
14.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD - Hong Leong Asset Management Bhd for Hong Leong Assurance Berhad (LP Fund ED102)	1,411,400	0.84
15.	AGROBULK HOLDINGS SDN BHD	1,379,728	0.82
16.	UOBM NOMINEES (TEMPATAN) SDN BHD - UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Aggressive Fund	1,271,500	0.76
17.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - Kumpulan Wang Persaraan (Diperbadankan) (Principal Eqits)	1,230,300	0.73

Analysis of Shareholdings
As at 15 April 2020 (continued)

No.	Name	Holdings	Percentage (%)
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - Chua Eng Ho Wa'a @ Chua Eng Wah	951,700	0.57
19.	HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) Trustee Bhd for Principal Dali Opportunities Fund	922,000	0.55
20.	HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)	913,100	0.54
21.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD – Exempt AN for Philip Capital Management Sdn Bhd	820,000	0.49
22.	HLB NOMINEES (TEMPATAN) SDN BHD - Pledged Securities Account for Wong Siu Chung	758,200	0.45
23	AMANAHRAYA TRUSTEES BERHAD - Ac Principal Islamic Enhanced Opportunities Fund	673,166	0.40
24	SIM TON BOON	663,900	0.40
25	AMANAHRAYA TRUSTEES BERHAD - PMB Shariah Aggressive Fund	663,800	0.38
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD - MTrustee Berhad for Pacific Pearl Fund (UT-PM-PPF) (419471)	554,100	0.33
27	LEONG CHAO SEONG	540,000	0.32
28	AMANAHRAYA TRUSTEES BERHAD - Ac Principal Islamic Malaysia Opportunities Fund	539,200	0.32
29	HLB NOMINEES (TEMPATAN) SDN BHD - Pledged Securities Account for Lee Kian Leong	470,300	0.28
30	HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) Trustee Bhd for Manulife Flexi Invest Fund	418,400	0.25
TOTAL		**134,262,446**	**80.06**

LIST OF PROPERTIES
As at 31 December 2019

Location	Tenure	Lease Period	Area (sq - meter)	Description	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation	Current Land Use
CCM Chemicals Sdn. Bhd. Pasir Gudang Works Plot 411, Kawasan 4, Jalan Perak 1 Pasir Gudang Industrial Estate 81700 Johor Bahru Johor Darul Takzim	Leasehold	60 years (1991 - 2051)	104,408	Industrial land, factory and offices	26 years	25.2	December 2016	Plant and office
CCM Water Systems Sdn. Bhd. Lot 4 & 6 Jalan Kemajuan Satu 16/17A 40200 Shah Alam Selangor Darul Ehsan	Leasehold	99 years (1995 - 2094)	14,492	Industrial land, factory and offices	24 years	12.1	December 2019	Office
CCM Polymers Sdn. Bhd. 69, Jalan P10/21 Selaman Industrial Park Section 10 43650 Bandar Baru Bangi Selangor Darul Ehsan	Leasehold	-	7,969	Industrial land, warehouse and offices	19 years	21.5	April 2017	Office and warehouse
Innovative Resins Sdn. Bhd. PT No. 40907, 40908 and 40909 No. 32, 34 and 36 Jalan P10/16, Selaman Industrial Park, Section 10, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	Leasehold	99 years (1999 - 2098)	2,207	Industrial land, semi-detached factory	19 years	2.7	December 2019	Plant and office
Lot No. 3880 Mukim of Bukit Raja Klang, Selangor Darul Ehsan (Meru magazine)	Freehold	-	20,284	Industrial land, plant and warehouse	33 years	2.2	December 2019	Plant and warehouse
Innovative Resins Sdn. Bhd. Lot No. 41463 No. 5 Jalan 4/12E Bandar Baru Bangi Selangor Darul Ehsan	Leasehold	99 years (1998 - 2097)	130	Residential	19 years	0.1	December 2019	Terraced house
Chemical Company of Malaysia Berhad Lot 10010 & Lot 10011 Pulau Gedung Pulau Pinang	Freehold	-	9,970	Agricultural land	-	0.3	December 2019	Forest Reserve

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty- Eighth (58th) Annual General Meeting ("AGM") of the Company will be held at the Board Room of Chemical Company of Malaysia Berhad, 13th Floor, Menara PNB, 201-A Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on **Monday, 15 June 2020** at **10.00 a.m.** for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors retiring under Articles 105 and 110 of the Constitution of the Company.

   (a) Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah (Article 105)
   Ordinary Resolution 1

   (b) Datuk Anuar bin Ahmad (Article 110)
   Ordinary Resolution 2

   (c) Raja Azura binti Raja Mahayuddin (Article 110)
   Ordinary Resolution 3

   (d) Hasman Yusri bin Yusoff (Article 110)
   Ordinary Resolution 4

   (e) Dr. Leong Yuen Yoong (Article 110)
   Ordinary Resolution 5

   (f) Zainal Abidin bin Jamal (Article 110)
   Ordinary Resolution 6

3. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.
   Ordinary Resolution 7

4. To approve the proposed total Directors' Fees amounting to RM1,000,000 for the period commencing from the conclusion of the forthcoming 58th AGM of the Company scheduled on 15 June 2020 until the conclusion of the next AGM of the Company in 2021 and to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine.
   Ordinary Resolution 8

5. To approve the proposed payment of total Directors' Benefit (excluding Directors' Fees) up to an amount of RM500,000 for the period from the conclusion of the 58th AGM of the Company scheduled on 15 June 2020 until the conclusion of the next AGM of the Company in 2021 ("Relevant Period").
   Ordinary Resolution 9

As Special Business

To consider and if thought fit, to pass the following Resolution:

6. Proposed Amendments to the Company's Existing Constitution ("Proposed Amendments")
   Special Resolution 1

   "**THAT** the Company's existing Constitution be altered, modified, added and/or deleted, as the case may be, in the form and manner as set out in Appendix III of the Circular to Shareholders dated 15 May 2020 accompanying the Company's Annual Report for the financial year ended 31 December 2019;

AND THAT the Directors be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities.”

7. To transact any other business of which due notice shall have been received.

By Order of the Board
NOOR AZWAH BINTI SAMSUDIN
License No.: LS 0006071
SSM Practicing Certificate No.: 201908002122
Company Secretary
Kuala Lumpur
Date: 15 May 2020

NOTES:

1. As part of the Company's initiative to curb the spread of COVID-19 outbreak and in line with the recommendation of the Suruhanjaya Syarikat Malaysia (“SSM”) and Securities Commission Malaysia to consider conducting AGMs electronically as provided under Section 327 of the Companies Act 2016 (“CA 2016”), the 58th AGM of the Company will be conducted on a virtual basis through live streaming and online remote voting via the Remote Participation and Voting (“RPV”) facilities which are available on the Share Registrar's website, Boardroom Smart Investor Online Portal.

   Please follow the procedures provided in the Administrative Guide for the 58th AGM in order to register, participate and vote remotely via the RPV facilities.

2. The venue of the 58th AGM is strictly for the purpose of complying with Section 327(2) of CA 2016 which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxy(ies) from the public will be physically present at the meeting venue.

3. All Resolutions in the Notice of AGM are to be conducted by poll voting as per Paragraph 8.29A(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad.

4. A Member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. Since the AGM will be conducted virtually/online, if a member is unable to participate in the AGM via the RPV facilities, he/she is entitled to appoint another person or the Chairman of the meeting to vote in accordance with his/her voting instructions as indicated in the Proxy Form.

5. The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or, if the Member is a corporation, either under seal or under the hand of two authorised officers, one of whom shall be a Director, or of its attorney duly authorised in writing.

6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”) which is exempted from compliance with the provisions of Section 25A(1) of SICDA.

7. The instrument appointing a proxy must be deposited to the Share Registrar, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim (Jalan Semangat), Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time appointed for the taking of the poll as per Section 334(3) of CA 2016.

   Alternatively, a member may deposit his/her proxy form(s) by electronic means through the Share Registrar's website, Boardroom Smart Investor Online Portal. Kindly follow the link at https://www.boardroomlimited.my/ to login and deposit your proxy form electronically, also not less than 24 hours before the meeting.

8. Only Members whose names appear in the General Meeting Record of Depositors on 10 June 2020 will be regarded as members and will be entitled to attend, participate and vote at the meeting.

Explanatory Notes on Ordinary Business

1. Audited Financial Statements for financial year ended 31 December 2019

   The Audited Financial Statements are laid in accordance with Section 340(1) of the CA 2016 for discussion only. They do not require shareholders' approval and hence will not be put for voting.

2. Ordinary Resolutions 1 to 6: Re-election of Directors retiring under Articles 105 and 110 of the Company's Constitution

   Article 105 of the Constitution provides that one-third, of the Directors for the time being, or if their number is not in multiple of three, then a number nearest to one-third shall retire from office.

   Article 110 of the Constitution provides that any Director so appointed to fill a casual vacancy shall hold office until the next following AGM and shall then be re-eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

   Consequently, one director, Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah will be retiring in accordance with Article 105 and five directors, Datuk Anuar bin Ahmad, Raja Azura binti Raja Mahayuddin, Hasman Yusri bin Yusoff, Dr. Leong Yuen Yoong and Zainal Abidin bin Jamal, will be retiring under Article 110.

   For the purpose of determining the eligibility of the Directors to stand for re-election at the 58th AGM, the Nomination and Remuneration Committee (NRC) has assessed each of the retiring Directors, and considered the following:

   (i) The Director's level of contribution to the Board deliberations through his/ her skills, experience and strength in qualities; and
   (ii) In respect of the Independent Directors, the level of independence demonstrated by these Directors, and their ability to act in the best interests of the Company in decision-making

   The individual Directors have met the performance criteria required of an effective and high-performance Board.

   Based on the above, the Board approved the NRC's recommendation that the Directors who retire in accordance with Articles 105 and 110 of the Constitution are eligible to stand for re-election. These retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant NRC and Board meetings.

3. Ordinary Resolution 7 - Re-appointment of KPMG PLT as Auditors of the Company

   The Board, at its meeting held in February 2020 approved the Audit and Compliance Committee's (ACC) recommendation for the shareholders' approval to be sought at the 58th AGM in respect of the re-appointment of KPMG PLT as External Auditors of the Company for FY 2020.

4. Ordinary Resolution 8 – Directors' Fees

The structure of Board of Directors' Fees for the holding company as set out below had been implemented since 2012 while the Board Committees' Fees had been implemented since 2010.

Position	RM per Annum
Chairman of the Board	100,000
Member of the Board	75,000
Chairman of Board Committee	10,000
Member of Board Committee	8,000

Section 230(1) of CA 2016 provides amongst others, the "Fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

At the 57th AGM of the Company held on 28 May 2019, the shareholders had approved **RM1,000,000** as total Directors' Fees payable to the Directors of the Company from the conclusion of the 57th AGM on 28 May 2019 until the conclusion of the 58th AGM of the Company.

The total Directors' Fees incurred were as follows:

	Approved at last AGM (from 28 May 2019 until conclusion of 58th AGM) (RM)	Forecasted (from 28 May 2019 until conclusion of 58th AGM) (RM)
Company	1,000,000	911,428
Group	1,000,000	911,428

With respect to the proposed total Directors' Fees from the conclusion of the forthcoming AGM which has been scheduled to be held on 15 June 2020 until the conclusion of the next AGM of the Company in 2021, the remuneration structure as approved since 2012 shall remain. Assuming that the total number of Directors and Board Committees as well as the members of the Board Committees remain the same, the total Group Directors Fees is estimated at **RM1,000,000**. This resolution, if passed, will facilitate the payment of Directors' Fees on current financial year basis until conclusion of the next AGM in 2021.

5. Ordinary Resolution 9 – Directors' Benefits (excluding Directors' Fees)

The directors' benefits (excluding Directors' Fees) comprise allowance and other emoluments/ benefits payable to the Chairman and the Non-Executive Directors at Board and Board Committee level. The current Board Remuneration Policy is set out below:

Description		Chairman	Member
Meeting allowance (RM per meeting)	Board of CCM	1,300	1,000
	Board Committee of CCM	1,200	1,000
	Board Task Force/Working Group of CCM	1,000	1,000
	Board of listed subsidiaries	700	500
	Board of unlisted active subsidiaries	300	300
Other benefits	Parking and other claimable benefits		

Note:
The Group Managing Director does not receive any Directors' Benefits other than those specified in her service contract.

The shareholders have approved a total of RM500,000 for the period from 28 May 2019 until the conclusion of the forthcoming AGM which has been scheduled on 15 June 2020.

The actual total benefits incurred were as follows:

	Approved at last AGM (28 May 2019 until conclusion of 58th AGM) (RM)	**Actual (28 May 2019 until conclusion of 58th AGM) (RM)**
Company	500,000	171,800
Group	500,000	171,800

In determining the estimated total amount of benefits (excluding Directors' Fees) for the directors of the Company, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Directors involved in these meetings. The number of Board and Board Committee meetings are determined based on the strategy and plans of the Company and Group for the financial year.

For the period from the conclusion of the forthcoming AGM which has been scheduled on 15 June 2020 until the conclusion of the next AGM in 2021, the total amount of actual benefits excluding Directors' Fees) to be incurred is expected to be **RM500,000**. In the event that the Proposed Directors' Remuneration (excluding Directors' Fees) is insufficient (e.g. due to more meetings or enlarged board size, etc.), approval will be sought at the next AGM for the additional remuneration to meet the shortfall.

Ordinary Resolution 9, if passed, will be paid by the Company on a monthly basis and/or as and when incurred. The Board is of the view that it is fair and equitable for the directors to be paid on a monthly basis and/or as and when incurred particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

6. Special Resolution 1 - Proposed Amendments to the Existing Constitution of the Company ("Proposed Amendments")

   This proposed Special Resolution 1, if passed, will give full effect to the Proposed Amendments as set out in Appendix III of the Circular to Shareholders dated 15 May 2020 accompanying the Company's Annual Report for the financial year ended 31 December 2019.

   The rationale of the Proposed Amendments is primarily to provide further clarity on certain terms of the Constitution and to ensure compliance with CA 2016, the Malaysian Code on Corporate Governance (MCCG), the MMLR of Bursa Malaysia Securities Berhad and other prevailing statutory and regulatory requirements applicable to the Company.

STATEMENT ACCOMPANYING THE NOTICE OF FIFTY-EIGHT (58TH) AGM OF CHEMICAL COMPANY OF MALAYSIA BERHAD

Pursuant to Paragraph 8.27(2), Appendix 8A of the Listing Requirements of Bursa Malaysia Securities Berhad

The details of the six (6) Directors seeking re-election and their interest in the securities of the Company are set out in their respective profiles which appear in the Directors' Profiles on pages 56, 58 to 62 of this Annual Report.

Day/Date/Time:	Monday, 15 June 2020 at 10.00 am
Venue:	Board Room of Chemical Company of Malaysia Berhad, 13th Floor, Menara PNB, 201-A Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Mode of Meeting:	Virtual

1. COVID-19 Outbreak and Safety Measures

(a) The Suruhanjaya Syarikat Malaysia ("SSM") in its media statement on 16 March 2020 in relation to the COVID-19 outbreak, had encouraged companies to consider conducting their AGMs electronically as provided under Section 327 (1) of the Companies Act ("CA") 2016. At the same time, companies are to observe and exercise all necessary precautions to protect the well-being of the public, whilst complying with their regulatory obligations.

(b) Securities Commission Malaysia ("SC") has issued on 18 April 2020 (Revised on 24 April 2020) a Guidance and FAQs on the Conduct of General Meetings for Listed issuers (Guidance Note) to guide all companies listed on Bursa Malaysia Securities Berhad on the conduct of general meetings during a period when the Movement Control Order ("MCO") is in place or outside of an MCO period; but where safe distancing requirements remain (e.g. restriction on mass gatherings) which includes the conduct of fully virtual general meetings and hybrid general meetings.

(c) Consequently, as part of the Company's initiative to curb the spread of COVID-19 outbreak and in line with the recommendations of the SSM, SC and the Government on leveraging technology and social distancing during the COVID-19 outbreak, the 58th AGM of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via the Remote Participation and Voting ("RPV") facilities which are available on the Share Registrar's website, Boardroom Smart Investor Online Portal.

(d) There will be **NO VOUCHER(S)** or **DOOR GIFT(S)** for members/ proxies who participate at the AGM.

2. AGM Venue

The venue of the 58th AGM is strictly for the purpose of complying with Section 327(2) of CA 2016 which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxy(ies) from the public will be physically present at the meeting venue.

3. General Meeting Record of Depositors

The Company has requested Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Register of Depositors ("ROD") as at 10 June 2020 in accordance with the Company's Constitution and the Securities Industry (Central Depositories) Act 1991.

Only Members whose names appear in the General Meeting ROD as at 10 June 2020 will be regarded as members and entitled to attend and vote at the meeting.

4. Proxy

Members are encouraged to go online, participate, and vote at the 58th AGM remotely using the RPV facilities. If a member is not able to attend the AGM via the RPV facilities, he/she can appoint another person or the Chairman of the meeting as his/her proxy to vote in accordance with his/her voting instructions as indicated in the Proxy Form. Please submit the Proxy Form to the Share Registrar, Boardroom Share Registrars Sdn Bhd ("Boardroom"), no later than **Sunday, 14 June 2020 at 10.00 a.m.**

Please take note that Members must complete the Proxy Form for the AGM should he/she wishes to appoint a proxy(ies). The Proxy Form can be obtained from the Annual Report circulated to the Members or can be downloaded from the Company's corporate website at https://www.ccmberhad.com/investor-relations.php.

Please ensure that the original form is deposited at the Share Registrar's office not less than 24 hours before the time appointed for holding the meeting. Alternatively, a Member may deposit his/her Proxy Form by electronic means through the Share Registrar's website, Boardroom Smart Investor Online Portal. Kindly follow the link at https://www.boardroomlimited.my/ to login and deposit your Proxy Form electronically, also not less than 24 hours before the meeting.

5. Voting Procedure

(a) Voting will be conducted by poll in accordance with Paragraph 8.29A of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad. The Company has appointed Boardroom as Poll Administrator to conduct the poll by way of electronic voting (e-Voting) and Boardroom Corporate Services Sdn Bhd as Scrutineers to verify the poll results.

(b) During the AGM, the Chairman will invite the Poll Administrator to brief on the e-Voting housekeeping rules. The voting session will commence as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of the poll.

(c) For the purposes of this AGM, e-Voting will be carried out via personal smart mobile phones, tablets or personal computer/laptops.

(d) There are 3 methods for members and proxies who wish to use their personal voting device to vote remotely. They are as follows:

i) By downloading the free **Lumi AGM** from Apple App Store or Google Play Store prior to the meeting; **OR**

ii) Scanning the following QR Scanner Application Code; OR

iii) Assessing the website URL https://web.lumiagm.com/

(e) The Scrutineers will verify the poll result reports upon closing of the poll session by the Chairman. Scrutineers will announce the results thereafter and the Chairman will declare whether the resolutions put to vote were successfully carried or not.

(f) In accordance with the Company's Constitution, Members are entitled to vote at the online AGM either personally or by proxy, based on the General Meeting ROD. Any eligible Voting Member who is unable to participate electronically is entitled to appoint another person or the Chairman of the meeting to vote in accordance with his/her voting instructions as indicated in the Proxy Form.

6. Remote Participation and Electronic Voting

(a) Please note that this option is available to:

(i) individual members;
(ii) corporate shareholder;
(iii) Authorised Nominee; and
(iv) Exempt Authorised Nominee.

(b) If you choose to participate in the meeting virtually/online, you will be able to view a live webcast of the Meeting, ask the Board of Directors questions and submit your votes in real time.

(c) Kindy follow the steps below on how to request for login ID and password:

Step 1 – Register Online with Boardroom Smart Investor Portal (for first time registration only)
[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2. Submit request for Remote Participation user ID and password.]

a. Access website https://boardroomlimited.my
b. Click <<Login>> and click <<Register>> to sign up as a user.
c. Complete registration and upload softcopy of MyKAD (front and back) or Passport.
d. Please enter a valid email address and wait for Boardroom's email verification.
e. Your registration will be verified and approved within one business day and an email notification will be provided.

Step 2 – Submit Request for Remote Participation User ID and Password
[Note: The registration for remote access will be opened from 15 May 2020 onwards.]

Individual Members
– Login to https://boardroomlimited.my using your user id and password above.
– Select "Hybrid/Virtual Meeting" from main menu and select the correct Corporate Event "CCM 58th Virtual AGM".
– Enter your CDS Account.
– Read and agree to the terms & condition and thereafter submit your request.

Corporate Shareholders
– Write in to bsr.helpdesk@boardroomlimited.com by providing the name of the Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Proxy Form to submit the request.

Authorised Nominee and Exempt Authorised Nominee
– Write in to bsr.helpdesk@boardroomlimited.com by providing the name of the Member, CDS Account Number accompanied with the Proxy Form to submit the request.

a. You will receive a notification from Boardroom that your request has been received and is being verified.
b. Upon system verification against the AGM's ROD, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.
c. You will also receive your remote access user ID and password along with the email from Boardroom if your registration is approved.
d. Please note that the closing time to submit your request is at 10:00am on **Sunday, 14 June 2020** (24 hours before the AGM).

Step 3 – Login to Virtual Meeting Portal
[Please note that the quality of the connectivity to Virtual Meeting Portal for live web cast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.]

a. The Virtual Meeting portal will be opened for login starting an hour (1 hour) before the commencement of AGM at 9:00am on 15 June 2020.
b. Follow the steps given to you in the email along with your remote access user ID and password to login to the Virtual Meeting portal. (Refer to Step 2 above)
c. The steps will also guide you on how to view the live web cast, ask questions and vote.
d. The live web cast will end and the Messaging window will be disabled the moment the Chairman announces the closure of the AGM.
e. You can now logout from the Virtual Meeting Portal.

(d) Members who are unable to participate in our virtual/online AGM can appoint another person or the Chairman of the meeting as his/her proxy to vote on their behalf in accordance with their instruction in the Proxy Form. Members may use Boardroom Smart Investor Portal proxy appointment service to submit their proxy appointment.

7. Participation through Live Webcast, Question and Voting at the online AGM

The Chairman and the Board of Directors will endeavour their best to respond to the questions submitted by Members which are related to the resolutions to be tabled at the 58th AGM.

Members may proceed to cast their votes on each of the proposed resolutions to be tabled at the 58th AGM after the Chairman opens the poll for the resolutions. Shareholders are reminded to cast their votes before the poll is closed.

8. Presentation at the virtual/online AGM

Members who participate at the virtual/online AGM are able to view the Company's presentation or slides via the live web-streaming.

9. Procedure for the virtual/online AGM

The Login User Guide for participation, posing questions and voting at the 58th AGM, will be emailed to Members together with their remote access user ID and password once their registration have been approved.

No recording or photography of the AGM proceedings is allowed without the prior written permission of the Company.

Members are requested to ensure that you are connected to the internet line at all times in order to participate and vote during the AGM. Therefore, it is the Members responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.

10. Communication Guidance

Shareholders are also reminded to monitor the Company's website and announcements for any latest development with regard to the AGM.

11. Enquiry

Please contact the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at +603 7890 4700 or send your enquiry to bsr.helpdesk@boardroomlimited.com if you have any query on the virtual/online AGM.

Members may also submit questions in respect of the resolutions to be tabled at the AGM in advance to info@ccmberhad.com no later than **Sunday, 14 June 2020 at 10.00 a.m.**

12. Personal Data Privacy

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The Member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

13. Annual Report 2019 ("AR 2019") and Circular to Shareholders ("Circular")

Members may request for the hardcopies of the AR 2019 and Circular from the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at +603 7890 4700 via telephone or email at bsr.helpdesk@boardroomlimited.com. Alternatively, Members may submit a request form which is available on the Company's website at www.ccmberhad.com/ar/requisition-form.php.

However, in light of the Movement Control Order announced by the Malaysian Government since 18 March 2020, there will be some delay in the delivery of the printed copies. As such, Members are encouraged to download the softcopy of the AR 2019 and the Circular from the Company's corporate website at https://www.ccmberhad.com/investor-relations.php.

CDS Account No.	

PROXY FORM

CHEMICAL COMPANY OF MALAYSIA BERHAD
(196301000263 (5136-T))
(Incorporated in Malaysia)

I/We ____
(Full Name as per NRIC/Certificate of Incorporation in capital letters)

Company No./NRIC No. (New) ____

of ____
(Full Address)

being *a shareholder/shareholders of **CHEMICAL COMPANY OF MALAYSIA BERHAD** ("the Company") hereby appoint:

____
(Full Name as per NRIC in capital letters)

Company No./NRIC No. (New) ____

or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Fifty-Eighth (58th) Annual General Meeting ("AGM") of the Company to be held at Board Room of Chemical Company of Malaysia Berhad, 13th Floor, Menara PNB, 201-A Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on **Monday, 15 June 2020** at **10.00 a.m**. and at any adjournment thereof, on the following resolutions referred to in the Notice of 58th AGM.

(Please indicate with an "X" on how you wish to cast your vote) My/Our Proxy is to vote as indicated below:

NO.	ORDINARY BUSINESS	RESOLUTION NO.	FOR	AGAINST
1.	To re-elect the following Directors retiring under Article 105 & 110 of the Constitution of the Company:-			
	a) Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah - Article 105	Ordinary Resolution 1		
	b) Datuk Anuar bin Ahmad - Article 110	Ordinary Resolution 2		
	c) Raja Azura binti Raja Mahayuddin – Article 110	Ordinary Resolution 3		
	d) Hasman Yusri bin Yusoff – Article 110	Ordinary Resolution 4		
	e) Dr. Leong Yuen Yoong – Article 110	Ordinary Resolution 5		
	f) Zainal Abidin bin Jamal – Article 110	Ordinary Resolution 6		
2.	To re-appoint KPMG PLT as Auditors of the Company and to authorize the Directors to fix their remuneration.	Ordinary Resolution 7		
3.	To approve the proposed total Directors' Fees amounting to RM1,000,000 for the period commencing from the conclusion of the forthcoming 58th AGM of the Company on 15 June 2020 until the conclusion of the next AGM of the Company in 2021 and to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine.	Ordinary Resolution 8		
4.	To approve the proposed payment of total Directors' Benefit (excluding Directors' Fees) up to an amount of RM500,000 for the period from the conclusion of the 58th AGM of the Company scheduled on 15 June 2020 until the conclusion of the next AGM of the Company in 2021 ("Relevant Period").	Ordinary Resolution 9		
NO.	**SPECIAL BUSINESS**	**RESOLUTION NO.**		
5.	Proposed Amendments to the Existing Constitution of the Company ("Proposed Amendments")	Special Resolution 1		

____
No. of shares

Signed this __________ day of __________ 2020.

____
Signature/Seal

NOTES:

1. As part of the Company's initiative to curb the spread of COVID-19 outbreak and in line with the recommendation of the Suruhanjaya Syarikat Malaysia ("SSM") and Securities Commissions to consider conducting AGMs electronically as provided under Section 327 of the Companies Act 2016 ("CA 2016"), the 58th AGM of the Company will be conducted on a virtual basis through live streaming and online remote voting via the Remote Participation and Voting ("RPV") facilities which are available on the Share Registrar's website, Boardroom Smart Investor Online Portal.
   Please follow the procedures provided in the Administrative Guide for the 58th AGM in order to register, participate and vote remotely via the RPV facilities.
2. The venue of the 58th AGM is strictly for the purpose of complying with Section 327(2) of CA 2016 which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxy(ies) from the public will be physically present at the meeting venue.
3. All Resolutions in the Notice of AGM are to be conducted by poll voting as per Paragraph 8.29A(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad.
4. A Member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. Since the AGM will be conducted virtually/online, if a member is unable to participate in the AGM via the RPV facilities, he/she is entitled to appoint another person or the Chairman of the meeting to vote in accordance with his/her voting instructions as indicated in the Proxy Form.
5. The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or, if the Member is a corporation, either under seal or under the hand of two authorised officers, one of whom shall be a Director, or of its attorney duly authorised in writing.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
7. The instrument appointing a proxy must be deposited to the Share Registrar, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim (Jalan Semangat), Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time appointed for the taking of the poll as per Section 334(3) of the CA 2016.
   Alternatively, a member may deposit his/her proxy form(s) by electronic means through the Share Registrar's website, Boardroom Smart Investor Online Portal. Kindly follow the link at https://www.boardroomlimited.my/ to login and deposit your proxy form electronically, also 24 hours before the meeting.
8. Only Members whose names appear in the General Meeting Record of Depositors on 10 June 2020 will be regarded as members and will be entitled to attend, participate and vote at the meeting.

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Postage
Stamp

The Registrar
Chemical Company of Malaysia Berhad (196301000263 (5136-T))
11th Floor, Menara Symphony,
No 5, Jalan Prof. Khoo Kay Kim (Jalan Semangat),
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