CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
(Incorporated in Malaysia)
For the Period Ended 31 March 2015

NOTES TO THE INTERIM FINANCIAL REPORT

A1) Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*.

A2) Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2014.

The following MFRSs and Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2015:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 140	Investment Property (Annual Improvements 2011-2013 Cycle)

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A2) Changes in Accounting Policies (continued)

The following revised MFRSs and Amendments to MFRSs applicable to the Group have been issued by the MASB and are not yet effective for adoption by the Group :

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
MFRS 14	Regulatory Deferral Accounts
Amendments MFRS 101	Disclosures Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements to MFRSs 2012-2014 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)

The adoption of the above standards and amendments are not expected to have any material financial impact to the Group upon their first adoption.

A3) Disclosure of audit report qualification

The auditor's report on the financial statements of the Group and the Company for the year ended 31 December 2014 was not subject to any qualification.

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A4) Explanatory comments about the seasonality or cyclicality of operations

The Group's operations were not subjected to any material seasonal or cyclical factor other than market fluctuations in selling prices and costs of raw materials.

A5) Unusual Items due to their nature, size or incidence

There was no item affecting assets, liabilities, net income or cash flows that were unusual because of their nature, size or incidence for the current quarter and financial period under review.

A6) Changes in prior estimates of amounts which materially affect the current interim period

There were no material changes in the prior estimates which would materially affect the current interim period.

A7) Issuances, cancellations, repurchases resale and repayments of debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the period under review.

The number of Treasury Shares held as at end of the current period under review was 2,998,000.

A8) Dividends paid

The Company paid an interim single tier dividend of RM2.50 sen per ordinary share totalling RM11.37 million in respect of the financial year ended 31 December 2014 on 15 January 2015.

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A9) Segment reporting

In thousands of RM	Segment Revenue			
	Individual 1st Quarter		**Cumulative 1st Quarter**	
	2015	**2014**	**2015**	**2014**
Pharmaceuticals	87,320	72,873	87,320	72,873
Chemicals	71,668	71,611	71,668	71,611
Fertilizers	107,056	129,579	107,056	129,579
	266,044	274,063	266,044	274,063
Others* and inter-segment	4,088	(294)	4,088	(294)
Group result	270,132	273,769	270,132	273,769

** Administrative and non-core activities*

In thousands of RM	Segment Profit/(Loss) Before Tax			
	Individual 1st Quarter		**Cumulative 1st Quarter**	
	2015	**2014**	**2015**	**2014**
Pharmaceuticals	11,088	7,924	11,088	7,924
Chemicals	6,401	4,848	6,401	4,848
Fertilizers	(4,164)	(1,720)	(4,164)	(1,720)
	13,325	11,052	13,325	11,052
Others* and inter-segment	(3,001)	(2,315)	(3,001)	(2,315)
Group result	10,324	8,737	10,324	8,737

** Administrative and non-core activities*

A10) Property, plant and equipment

The Group adopts the cost model for its property, land and building.

A11) Post balance sheet event

The Company had drawn down a term loan of RM150,570,000 (equivalent to USD42 million) from Sumitomo Mitsui Banking Corporation Malaysia Berhad in April 2015. The term loan drawdown is mainly to refinance the Company's existing borrowings of RM130 million that matured on 30 April 2015. The remaining balance of the term loan will be utilized for general working capital purposes. The term loan facility has a three (3) year tenure expiring 30 April 2018.

There are no other material events after the period end that has not been reflected in the Interim Financial Reports for the current financial period under review.

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A12) Effect of changes in the composition of the Group

There were no changes in the composition of the Group for the period under review.

A13) Changes in contingent liabilities or contingent assets since the last annual balance sheet date

During financial year 2014, PT CCM Indonesia ("PTCCMI"), a subsidiary of the Company appealed against tax auditor's assessment with respect to year of assessment 2011. If the appeal is unsuccessful, an additional tax to be paid by PTCCMI arising from various tax adjustments/corrections will be IDR36,100,000,000 (equivalent to approximately RM9.7 million). The matter is currently at the initial stage of court proceedings.

The appeals were first heard by the Indonesian Tax Court on 6 May 2015. The hearing of the appeals has been adjourned to 27 May 2015.

There were no other changes in contingent liabilities or assets as at end of the current interim financial period.

A14) Capital Commitments

Commitments for the purchase of property, plant and equipment as at 31March 2015.

	At 31 March 2015 RM'000	At 31 December 2014 RM'000
Approved but not contracted for	76,314	28,543
Contracted but not provided for	4,884	31,498
	81,198	60,041

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Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1) Review of Performance

Commentary for Individual and Cumulative Quarter ended 31 March 2015

For the current quarter ended 31 March 2015, the Group recorded revenue of RM270.1 million, lower by 1.3% compared to the corresponding quarter last year. The Group recorded profit before tax of RM10.3 million for the current quarter, an increase of 18.2% from same quarter last year; due to improved margins achieved during the period across the Pharmaceuticals and Chemicals Divisions.

Pharmaceuticals Division recorded revenue of RM87.3 million during the quarter under review. This was 19.8% higher compared to the same quarter last year primarily contributed by increase in sales for both ethical and over-the-counter segment, as customers increased their purchases ahead of the implementation of Goods and Services Tax (GST) on 1 April 2015. Pharmaceuticals Division recorded profit before tax of RM11.1 million, an increase of 40% as compared to the corresponding quarter last year attributed by higher sales.

Chemicals Division's revenue of RM71.7 million for the quarter remained at par with the same quarter last year. The Division recorded a higher profit before tax of RM6.4 million as compared to the corresponding quarter last year of RM4.8 million. The 33% increase in profit before tax is attributed to better margins of its chlor-alkali products, coupled with lower operating expenses incurred pursuant to its cost improvement initiatives.

Fertilizers Division recorded revenue of RM107.1 million during the quarter under review. This was 17.4% lower compared to the same quarter last year due to lower volume sold on its compound fertilizers. Fertilizers Division recorded a loss before tax of RM4.2 million during the quarter as compared to a loss before tax of RM1.7 million in the same quarter last year. The higher loss recorded was attributed by the lower volume sold as Crude Palm Oil(CPO) prices remained flat during the period under review and diminishing of margins due to strengthening of USD in the first quarter.

B2) Material changes in the Quarterly Results compared to the results of the Preceding Quarter

The Group's revenue for the current quarter of RM270.1 million was higher by RM30.1 million (or 12.5%) as compared to the immediate preceding quarter revenue of RM240.0 million. This was primarily attributable to the increase in revenue contribution from Fertilizers Division, as fertilizers offtake rebounded post the monsoon season and massive flood that hit the nation in November/December 2014.

Group PBT returned to positive during the current quarter compared to loss before tax of RM33.9 million in the immediate preceding quarter (Q4 2014).Included in Q4 2014 result was impairment loss recognised for its Medan plant assets totalling to RM36.8 million.

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B2) Material changes in the Quarterly Results compared to the results of the Preceding Quarter (continued)

The Group's fertilisers operations in Medan had been registering losses despite significant cost improvement initiatives made over the years. Although the trading operations for Indonesia remains profitable, the manufacturing plant operations faced the difficulties of operating in the local business environment; which led to the closure of the plant operations in October 2014. The Group anticipated that full economic benefits from the Medan Plant and related current assets may not be recovered, and impairment of RM36.8 million was recognised in the 4th quarter 2014.

B3) Prospects for the current financial year

The Group will continue to focus on enhancing business profitability by increasing sales growth domestically and regionally, improving production efficiency and cost effectiveness across all of its business divisions.

The demand for pharmaceuticals products is expected to remain relatively stable throughout the financial year. The prospects for the Pharmaceuticals Division remain positive as it consolidates its position in the local and regional markets, continuation of focus in Biotherapeutics, niche therapeutic areas and Halal leadership in the pharmaceuticals space.

For Chemicals Division, the chlor alkali market has shown signs of stability. The polymer coating business is expected to soften any cyclical effect of the chlor alkali market. The Division is implementing continuous improvement program to extract operational savings and striving to increase its trading margin for the current financial year, while expanding its customer base within the region.

The demand of fertilizers is expected to remain challenging in view of expectation of lower crude palm oil (CPO) prices and consequently, plantation owners implementing cost savings measures. Notwithstanding the above, Fertilizers Division will continue to focus on aggressive sales and promotions activities, operational excellence and a review of the business in an effort to improve its profitability.

The Group remains positive for better operating results for the financial year ending 31 December 2015, albeit in a challenging business environment.

B4) Variance of Actual Profit from Forecast Profit

The Group did not make any profit forecast or issue any profit guarantee.

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B5) Taxation

Taxation charge of the Group for the current quarter and financial period was as follows:

	Current Quarter 31-Mar-15 RM'000	Current Period 31-Mar-15 RM'000
Taxation		
In respect of profit for the year	(640)	(640)
Transfer from deferred tax	2,562	2,562
	1,922	1,922

B6) Profit Before Tax

	Current Quarter 31 March 2015 RM'000	Current Period 31 March 2015 RM'000
Operating profit is arrived at after charging / (crediting):		
Depreciation and amortization	9,370	9,370
Provision for and write-off of receivables	2,795	2,795
Provision for and write-off of inventories	1,463	1,463
Net foreign exchange loss	(754)	(754)
Interest expense	6,818	6,818
Interest income	(785)	(785)

There was no gain or loss on derivatives for the current quarter and current period under review.

B7) Status of corporate proposals

a) On 27 November 2014, the Company had entered into a conditional share sale agreement ("**SSA**") with CCM Duopharma Biotech Berhad ("**CCMD"**) for the following:

i) proposed disposal of 100% equity interest in CCM Pharmaceuticals Sdn Bhd ("**CCMP**") and its subsidiaries and settlement of outstanding inter-company advances owed by CCMP and/or its subsidiaries to the Group as at 30 September 2014; and

ii) proposed disposal of 100% equity interest in Innovax Sdn Bhd ("**Innovax**") and settlement of outstanding inter-company advances owed by Innovax to the Group as at 30 September 2014,

(collectively referred to as "**SSA 1**").

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B7) Status of corporate proposals (continued)

b) on 27 November 2014, the Company had entered into a conditional SSA with Duopharma Manufacturing Sdn Bhd ("**DMSB**") for the following:

   i) proposed disposal of 100% equity interest in CCM Pharma Sdn Bhd ("**CCM Pharma**") and settlement of outstanding inter-company advances owed by CCM Pharma to the Group (if any) as at 30 September 2014; and

   ii) proposed disposal of 100% equity interest in Upha Manufacturing Sdn Bhd ("**Upha**") and settlement of outstanding inter-company advances owed by Upha to the Group as at 30 September 2014,

   (collectively referred to as "**SSA 2**").

c) on 27 November 2014, CCM International Sdn Bhd ("**CCM International**"), a wholly owned subsidiary of the Company, had entered into a conditional SSA with CCMD for the proposed disposal of 100% equity interest in CCM Pharmaceuticals (S) Pte Ltd ("**CCM Singapore**") and settlement of outstanding inter-company advances owed by CCM Singapore to the Group (if any) as at 30 September 2014 ("**SSA 3**"); and

d) on 27 November 2014, CCM Investments Ltd. ("**CCM Investments**"), a wholly owned subsidiary of the Company, had entered into a conditional SSA with CCMD for the proposed disposal of 99.9% equity interest in CCM International (Philippines) Inc ("**CCM Philippines**") and the capitalisation of inter-company advances made by CCM Investments or the Company or any subsidiary of the Company to CCM Philippines and for that purpose, issuance of new shares in CCM Philippines to CCM Investments ("**SSA 4**").

The SSA 1, SSA 2, SSA 3 and SSA 4 are collectively referred to as "**SSAs**".

Further to the above, on 24 December 2014, the Company had entered into the following supplementary agreements:

(a) the supplementary agreement with CCMD in relation to the SSA 1 to amend the SSA 1 ("**Supplementary Agreement 1**"); and

(b) the supplementary agreement with DMSB in relation to the SSA 2 to amend the SSA 2 ("**Supplementary Agreement 2**").

The Supplementary Agreement 1 and Supplementary Agreement 2 are collectively referred to as "**Supplementary Agreements**".

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B7) Status of corporate proposals (continued)

Pursuant to the Supplementary Agreements, the Company had agreed to grant CCMD and DMSB an additional warranty with respect to the potential liability arising from the disclosure in the respective SSAs in relation to the alleged sales tax issues currently being investigated by the Royal Malaysian Customs Department against CCMP and Upha, respectively. The warranty provided is by way of an indemnity (with no maximum limit of such indemnity) for an aggregate liability in excess of RM100,000 to be paid to CCMP and Upha, respectively, and is valid for six (6) years after the date of completion of the SSAs, with a further provision that the Company may take over conduct of any appeal or proceedings in relation to matter giving rise to the aggregate liability.

The proposals had been approved by shareholders at the Company's EGM on 10 March 2015 and CCMD's EGM on 11 March 2015.

On 27 March 2015, the Company announced that vendors and purchasers in the agreements had mutually agreed to extend the Cut-Off Date, being the date by which the conditions precedent must be fulfilled, to 27 June 2015. All the other terms in the SSAs unless varied or amended otherwise therein shall remain unchanged.

CCM Investments and CCM Duopharma ("collectively referred to as the "**Parties**") had on 25 May 2015 entered into a second supplementary letter to the SSA 4 dated 27 November 2014 ("**2nd Supplementary Letter**"). Pursuant to the 2nd Supplementary Letter, the Parties agree:

(a) to proceed with the completion of the SSA 4; and

(b) that the condition in relation to the capitalisation of inter-company advances made by CCM Investments or CCMB or any subsidiary of CCMB of Philippines Peso Sixty Nine Million Four Hundred Fifty Six Thousand Eight Hundred (PHP69,456,800.00) to CCM Philippines and for that purpose, issuance of 694,568 new shares of CCM Philippines to CCM Investments be performed as a condition subsequent to the completion of the SSA 4. The new shares will not be transferred at completion and CCM Investments undertakes to perform all actions necessary to complete the capitalisation and transfer the issued shares to CCM Duopharma.

In this respect, the SSA 4 has turned unconditional on even date i.e. the date of this 2nd Supplementary Letter.

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B8) Group Borrowings and Debt Securities

The Group borrowings as at 31 March 2015 were as follows:

	31-Mar-15 RM'000	31-Dec-14 RM'000
Short term borrowings		
Unsecured		
Ringgit Malaysia denominated	448,212	484,228
United State Dollar denominated	-	9,643
Philippines Peso denominated	10,270	-
Singapore Dollar denominated	-	132
	458,482	494,003
Long term borrowings		
Unsecured		
Ringgit Malaysia denominated	100,000	100,000
	100,000	100,000

B9) Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risks as at the date of this report.

B10) Earnings per share

	Current Quarter 31 March 2015 RM'000	Current Period 31 March 2015 RM'000
Basic and Diluted Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	3,954	3,954
Issued ordinary shares at beginning of the quarter/year ('000)	457,630	457,630
Effects of treasury shares issued ('000)	-	-
Effects of shares issued ('000)	-	-
Weighted average number of ordinary shares ('000) at ending of the quarter/year	457,630	457,630
Basic earnings per share (sen)	0.86	0.86

There is no dilution to the earnings per orninary share as there are no dilutive potential ordinary shares.

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B11) Dividend

No dividend is proposed for the current quarter under review

B12) Economic Profit ("EP") Statement

	Current Quarter		Current Period	
Net operating profit after tax ("NOPAT") computation:	**31 March**		**31 March**	
	2015	**2014**	**2015**	**2014**
In millions of RM				
Earnings before interest and tax ("EBIT")	16.0	14.0	16.0	14.0
Adjusted tax	(4.0)	(3.5)	(4.0)	(3.5)
NOPAT	**12.0**	**10.5**	**12.0**	**10.5**
Economic charge computation:				
Average invested capital	1,277.2	1,459.6	1,277.2	1,459.6
Weighted average cost of capital ("WACC') (%)	6.50%	5.20%	6.50%	5.20%
Economic charge	**20.7**	**19.0**	**20.7**	**19.0**
Economic (loss)/ profit	**(8.7)**	**(8.5)**	**(8.7)**	**(8.5)**

The EP statement is as prescribed under the Government-Linked Corporations (GLC) Transformation program, and is disclosed on a voluntary basis. EP measures the value created by a business during a single period reflecting how much return a business makes over its cost of capital.

B13) Material litigation

There was no material litigation against the Group as at the end of period under review.

B14) Disclosure of Realised and Unrealised

	As at 31 March 2015	As at 31 December 2014
	RM'000	**RM'000**
Total retained profits of CCM Berhad and its subsidiaries:		
- Realised	208,490	210,619
- Unrealised	52,967	59,379
Total	**261,457**	**269,998**

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B15) Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 May 2015.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)
Company Secretary
25 May 2015