

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013 – unaudited**

<i>In thousands of RM</i>	<b>Three Months Ended 31 March</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	9,428	15,957
Adjustments for:		
Amortisation of prepaid lease payments	106	74
Depreciation of property, plant and equipment	14,232	10,575
Share of profit of equity accounted associates	(1,167)	(592)
Interest income	(1,400)	(576)
Finance costs	7,617	8,074
<i>Operating profit before changes in working capital</i>	28,816	33,512
Change in inventories	21,088	(82,361)
Change in receivables, deposits and prepayments	101,336	32,960
Change in payables and accruals	(27,661)	(31,793)
<i>Cash generated from/ (used in) from operations</i>	123,579	(47,682)
Finance costs paid	(7,617)	(8,074)
Interest income	1,400	576
Income tax paid	(6,443)	(14,392)
Net cash generated from/ (used in) operating activities	110,919	(69,572)
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(10,827)	(12,735)
Net cash used in investing activities	(10,827)	(12,735)
<b>Cash flows from financing activities</b>		
Net (repayment)/ drawdown of loans and borrowings	(69,163)	48,763
Proceeds from exercise of warrants	-	38
Net cash (used in)/ generated from financing activities	(69,163)	48,801
Exchange difference on translation of the financial statements of foreign operations	862	-
Net increase/ (decrease) in cash and cash equivalents	31,791	(33,506)
Cash and cash equivalents at 1 January	293,958	180,541
Cash and cash equivalents as at 31 March	325,749	147,035

The Condensed Cash Flow Statement should be read in conjunction with the Notes to the Interim Financial Report.



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

(Incorporated in Malaysia)

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**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*.

The interim financial report has been prepared in accordance with the same accounting policies in the consolidated financial statement as at and for the year ended 31 December 2012.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2012.

On 1 January 2013, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2013:

**MFRSs/ Interpretations**

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.



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**A2) 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 2012 was not subject to any qualification.

**A3) Explanatory comments about the seasonality or cyclicity 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.

**A4) 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 ended 31 March 2013.

**A5) Changes in prior estimates of amounts which materially affect the current interim period**

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

**A6) Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

There was no issuance, repurchase of debt and equity securities during the quarter under review. The number of Treasury Shares held as at 31 March 2013 was 2,998,000.

**A7) Dividends paid**

No dividend was paid in the current quarter under review.

**A8) Segment reporting**

<i>In thousands of RM</i> For the 3 months ended 31 March	Segment Revenue		Segment Profit/(Loss) before tax	
	2013	2012	2013	2012
Chemicals	74,968	88,957	5,022	7,622
Pharmaceuticals	70,325	70,477	3,467	7,463
Fertilizers	143,318	198,831	696	2,311
	<u>288,611</u>	<u>351,265</u>	<u>9,185</u>	<u>17,396</u>
Others* and inter segment transactions	(125)	(387)	243	(1,439)
Group result	<u>288,486</u>	<u>357,878</u>	<u>9,428</u>	<u>15,957</u>

\* Administrative and non-core activities (including intra-Group dividends)



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**A9) Property, plant and equipment**

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

**A10) Post balance sheet event**

There are no other material events after the period end that has not been reflected in the Interim Financial Reports for the financial period ended 31 March 2013.

**A11) Effect of changes in the composition of the Group**

There was no change in the composition of the Group for the current quarter ended 31 March 2013.

**A12) Changes in contingent liabilities or contingent assets since the last annual balance sheet date**

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

**A13) Capital Commitments**

Commitments for the purchase of property, plant and equipment as at 31 March 2013.

	<b>At 31 March 2013 RM'000</b>	<b>At 31 December 2012 RM'000</b>
Approved but not contracted for	42,485	32,785
Contracted but not provided for	12,951	16,772
	<u>55,436</u>	<u>49,557</u>



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

**B1) Review of Performance**

For the current quarter ended 31 March 2013, the Group recorded revenue of RM288.5 million, lower by 19% compared to the corresponding quarter last year. The lower revenue recorded during the quarter was mainly attributable to lower sales registered by the Chemicals and Fertilizers Divisions. Group's profit before tax of RM9.4 million for the current quarter was lower as compared with the same quarter last year of RM10.4 million. The decrease in profit before tax reported was mainly due to lower profits contributed by all Divisions, in line with lower revenue during the quarter.

Chemicals Division recorded revenue of RM75.0 million during the period under review, representing a decrease of 16% as compared to the corresponding period last year. The lower revenue recorded during the period was primarily due to lower selling prices for its chlor-alkali products which was affecting the industry, as well as lower sales volume of its trading business. The Division's profit before tax of RM5.0 million for the period under review was lower by 34% compared to the same period last year. The decrease in profit was largely attributable to the lower selling prices for its chlor-alkali products.

Pharmaceuticals Division recorded revenue of RM70.3 million for the period under review, a marginal decrease of 0.2% as compared to the same period last year. The profit before tax decreased by RM4.0 million from RM7.5 million in 2011 to RM3.5 million in the current period. The lower profit recorded in the current period was primarily attributable to higher advertising and promotion expenses incurred, as part of its Over-the-Counter (OTC) products' brand building program.

The Fertilizers Division recorded revenue of RM143.3 million during the period under review. This was 28% lower compared to the same period last year, contributed by the lower tonnage volume of compound sold to plantations and export sectors. The lower revenue had resulted in a decrease in profit before tax by RM1.6 million from RM2.3 million in the preceding period to RM0.7 million in the current period.

**CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)****(Incorporated in Malaysia)****For the Period Ended 31 March 2013****B2) Material changes in the Quarterly Results compared to the results of the Preceding Quarter**

Group revenue for the current quarter was lower by RM69.4 million, representing a 19% decrease as compared to the immediate preceding quarter. This was primarily attributable to lower revenue contribution from the Chemicals and Fertilizers Divisions. Profit before tax decreased by 41% from RM16.0 million in the preceding quarter to RM9.4 million in the current quarter mainly due to lower profit contribution from all the Divisions. The preceding quarter's profit before tax included an amount of RM7.4 million as fair value change on investment properties.

**B3) Prospects for the current financial year**

The Group will continue to focus on enhancing business profitability by improving production efficiency and cost effectiveness across all of its business division, as well as strengthening its presence in the region.

For Chemicals Division, the chlor alkali market is experiencing a phase of consolidation and expected to stabilise by the end of next quarter. The rubber polymer and trading businesses are expected to cushion the cyclical effect of the chlor alkali market. The Division is continuously striving to improve profitability for the current financial year through product innovation and by adding value to the existing trading business.

The demand for pharmaceuticals products is expected to remain relatively stable throughout the financial year. The prospects for the Division are positive and it is well positioned to further improve its presence both in the local and regional markets.

The current downward pressure on global crude palm oil (CPO) prices is negatively affecting the margins for plantation owners. This has resulted in dampening of the demand for compound fertilizers. However, the situation is expected to improve in the second half of 2013. The Fertilisers Division will continue to focus on cost rationalisation, operational excellence and market penetration in the current financial year.

The Group's performance for the financial year ending 31 December 2013 is expected to continue to be challenging.

**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:

	<b>Current Quarter 31 March 2013 RM'000</b>	<b>Current Period 31 March 2013 RM'000</b>
Taxation		
In respect of profit for the year	1,052	1,052
Transfer from deferred tax	1,270	1,270
	<u>2,322</u>	<u>2,322</u>

**B6) Profit Before Tax**

	<b>Current Quarter 31 March 2013 RM'000</b>	<b>Current Period 31 March 2013 RM'000</b>
<b>Operating profit is arrived at after charging / (crediting):</b>		
Allowance for doubtful debt	270	270
Depreciation of property, plant and equipment	14,232	14,232
Interest expense	7,617	7,617
Write-down of inventories	33	33
Write-off of inventories	-	-
Net foreign exchange gain	(1,583)	(1,583)
Interest income	(1,400)	(1,400)
Reversal of impairment loss on trade receivables	(483)	(483)
	<u>(483)</u>	<u>(483)</u>

Other than the above, there were no impairment of assets and gain or loss on derivatives for the current quarter and current period ended 31 March 2013.



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**B7) Status of corporate proposals that have been announced by the Company but not completed as at the date of this announcement**

There were no corporate proposals announced but not yet completed as at 31 May 2013.

**B8) Group Borrowings and Debt Securities**

The Group borrowings as at 31 March 2013 were as follows:

	<b>31 March 2013 RM'000</b>	<b>31 December 2012 RM'000</b>
<b>Short term borrowings</b>		
Unsecured		
Ringgit Malaysia denominated	177,661	217,869
United States Dollar denominated	46,819	75,774
	<u>224,480</u>	<u>293,643</u>
<b>Long term borrowings</b>		
Unsecured		
Ringgit Malaysia denominated	550,000	550,000
	<u>550,000</u>	<u>550,000</u>

**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.





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**B10) Earnings per share**

	<b>Current Quarter 31 March 2013</b>	<b>Current Period 31 March 2013</b>
<b>a) Basic Earnings Per Share:-</b>		
Profit after tax and minority shareholders' interests (RM'000)	4,376	4,376
Issued ordinary shares at beginning of the period ('000)	457,630	457,630
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)	0.96	0.96
<b>b) Diluted Earnings Per Share:-</b>		
Profit after tax and minority shareholders' interests (RM'000)	4,376	4,376
Weighted average number of ordinary shares ( '000) diluted at ending of the quarter/year	457,630	457,630
Diluted earnings per share (sen)	0.96	0.96



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**B11) Dividend**

No dividend is proposed for the current quarter under review.

**B12) Economic Profit (“EP”) Statement**

<i>In millions of RM</i>	<b>Current Quarter</b>		<b>Current Period</b>	
	<b>31 March</b>		<b>31 March</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<u>Net operating profit after tax</u> <u>(“NOPAT”) computation</u>				
Earnings before interest and tax	14.5	22.9	14.5	22.9
Adjusted tax	(3.6)	(5.7)	(3.6)	(5.7)
<b>NOPAT</b>	<b>10.9</b>	<b>17.2</b>	<b>10.9</b>	<b>17.2</b>
<u>Economic charge computation:</u>				
Average invested capital	1,488.4	1,564.9	1,488.4	1,564.9
Weighted average cost of capital %	5.09%	5.15%	5.09%	5.15%
<b>Economic charge</b>	<b>12.6</b>	<b>20.2</b>	<b>12.6</b>	<b>20.2</b>
<b>Economic loss</b>	<b>(1.8)</b>	<b>(3.0)</b>	<b>(1.8)</b>	<b>(3.0)</b>

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**

The Company and its subsidiaries have no pending material litigations at the date of this report, except as disclosed below :

Johor Bahru High Court Writ Of Summons No : 23NCVC-119-08/2012

Plaintiff : Prostar Edge (Johor) Sdn Bhd

Defendant : CCM Chemicals Sdn Bhd



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**B13) Material litigation (Continued)**

In relation to the legal proceedings commenced by the Plaintiff against the Defendant referred to in the announcement dated 28 August 2012 made by the Company to Bursa Malaysia Securities Berhad, the Defendant had on 5 October 2012 filed its defence to the Plaintiff's amended statement of claim. The Defendant has also filed a counterclaim against the Plaintiff and one of its directors, namely En. Mohd Khairi bin Mohd Rajab. In the counterclaim against the Plaintiff and En. Mohd Khairi, the Defendant is seeking the following orders:

- (1) a declaration that the Plaintiff was never appointed as the Defendant's 'sole' repacking vendor nor was a minimum quantity commitment ever agreed between the parties;
- (2) a declaration that the letter of intent dated 18.4.2006 and the letter of offer dated 6.12.2006 relied upon by the Plaintiff in its claim against the Defendant was not binding and unenforceable;
- (3) general damages;
- (4) interest on the above sum at the rate of 5% per annum from the date of the counterclaim until the date of full realization;
- (5) costs; and
- (6) such further and/or other orders and/or relief as the Court deems fit and proper.

On 5 November 2012, the Plaintiff served its reply to the Defendant's defence and defence to the Defendant's counterclaim; and En. Mohd Khairi served his defence to the Defendant's counterclaim against him. Trial of the matter commenced on 16 April 2013 and continued on 17 April 2013, 10 May 2013 and 22 May 2013. The Court has fixed for continuation of the trial on 13 June 2013.

**B14) Disclosure of Realised and Unrealised**

	<b>31 March 2013 RM'000</b>	<b>31 December 2012 RM'000</b>
Total retained profits of CCM Berhad and its subsidiaries:		
- Realised	285,490	273,735
- Unrealised	64,665	72,044
<b>Total</b>	<b>350,155</b>	<b>345,779</b>



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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 31 May 2013.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)  
Company Secretary  
31 May 2013