

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2013 – unaudited

<i>In thousands of RM</i>	Six Months Ended 30 June	
	2013	2012
Cash flows from operating activities		
Profit before taxation	25,109	26,679
Adjustments for:		
Amortisation of prepaid lease payments	70	223
Change in fair value of investment property	(3,759)	-
Depreciation of property, plant and equipment	24,396	23,286
Share of profit of equity accounted associates	(1,879)	(894)
Interest income	(2,842)	(1,223)
Finance costs	15,889	16,874
<i>Operating profit before changes in working capital</i>	<u>56,984</u>	<u>64,945</u>
Change in inventories	3,013	(31,178)
Change in receivables, deposits and prepayments	3,333	(10,242)
Change in payables and accruals	53,110	(85,401)
<i>Cash generated from/ (used in) from operations</i>	<u>116,440</u>	<u>(61,876)</u>
Finance costs paid	(15,889)	(16,874)
Interest income	2,842	1,223
Income tax paid	(5,959)	(23,791)
Net cash generated from/ (used in) operating activities	<u>97,434</u>	<u>(101,318)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(20,642)	(24,261)
Proceeds from disposal of property, plant and equipment	-	2,206
Net cash used in investing activities	<u>(20,642)</u>	<u>(22,055)</u>
Cash flows from financing activities		
Net (repayment)/ drawdown of loans and borrowings	(55,412)	65,022
Dividends paid to Minority shareholders	(6,098)	(11,068)
Proceeds from exercise of warrants	-	33
Net cash (used in)/ generated from financing activities	<u>(61,510)</u>	<u>53,987</u>
Exchange difference on translation of the financial statements of foreign operations	3,691	-
Net increase/ (decrease) in cash and cash equivalents	<u>18,973</u>	<u>(69,386)</u>
Cash and cash equivalents at 1 January	293,958	180,541
Cash and cash equivalents as at 30 June	<u>312,931</u>	<u>111,155</u>

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)
For the Period Ended 30 June 2013

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.



CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)

(Incorporated in Malaysia)

For the Period Ended 30 June 2013

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 30 June 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 30 June 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>	Segment Revenue			
	Individual 2nd Quarter		Cumulative 2nd Quarter	
	2013	2012	2013	2012
Chemicals	79,112	85,467	154,080	174,424
Pharmaceuticals	71,051	75,691	141,393	146,168
Fertilizers	239,955	241,062	383,273	439,893
	<u>390,118</u>	<u>402,220</u>	<u>678,746</u>	<u>760,485</u>
Others* and inter segment transactions	4,953	875	4,811	488
Group result	<u><u>395,071</u></u>	<u><u>403,095</u></u>	<u><u>683,557</u></u>	<u><u>760,973</u></u>


CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)

(Incorporated in Malaysia)

For the Period Ended 30 June 2013

A8) Segment reporting (Continued)

<i>In thousands of RM</i>	Cumulative Profit/ (Loss) before tax			
	Individual 2 nd Quarter		Cumulative 2 nd Quarter	
	2013	2012	2013	2012
Chemicals	4,800	9,505	9,822	17,127
Pharmaceuticals	7,463	5,107	10,983	12,570
Fertilizers	5,465	(4,547)	6,161	(2,236)
	<u>17,728</u>	<u>10,065</u>	<u>26,966</u>	<u>27,461</u>
Others* and inter segment transactions	(2,047)	657	(1,857)	(782)
Group result	<u>15,681</u>	<u>10,722</u>	<u>25,109</u>	<u>26,679</u>

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

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 30 June 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 30 June 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 30 June 2013.

	At 30 June 2013 RM'000	At 31 December 2012 RM'000
Approved but not contracted for	65,874	32,785
Contracted but not provided for	<u>16,602</u>	<u>16,772</u>
	<u>82,476</u>	<u>49,557</u>



CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)

(Incorporated in Malaysia)

For the Period Ended 30 June 2013

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

B1) Review of Performance

Commentary for Individual Quarter ended 30 June 2013

For the current quarter ended 30 June 2013, the Group recorded revenue of RM395.1 million, lower by 2% compared to the corresponding quarter last year. However, the Group's profit before tax for the current quarter under review increased by 46% to RM15.7 million from RM10.7 million recorded in the same quarter last year. The significant improvement was mainly contributed by Fertilizers Division, where the Division recorded profit before tax of RM5.5 million during the quarter compared to a loss position of RM4.5 million in the same quarter last year.

Fertilizers Division recorded higher gross profit margin and lower operating expenses in the current quarter, in line with its operational excellence and cost rationalisation programmes.

For the current quarter, Pharmaceuticals Division recorded higher profit before tax of RM7.5 million, an increase of RM2.4 million as compared to the corresponding quarter last year. The higher profit recorded by Pharmaceuticals Division was mainly contributed by the recognition of change in fair value of investment property of RM3.7 million. Profit improvement in Fertilizers and Pharmaceuticals Divisions mitigated the impact of lower profit contribution from Chemicals Division during the quarter.

Commentary for Cumulative Quarters ended 30 June 2013

For the six months period ended 30 June 2013, the Group recorded revenue of RM683.6 million. This was lower by RM77.4 million or 10% as compared to the corresponding period last year, mainly due to lower sales recorded from all Divisions. The Group recorded a profit before tax of RM25.1 million for the period under review. This represented a decline of 6% from RM26.7 million in the same period last year. The lower Group profit was cushioned by the recognition of change in fair value of investment properties of RM3.7 million in the current period under review.

Chemicals Division recorded revenue of RM154.1 million during the period under review, representing a decrease of 12% 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, as well as lower sales volume of its trading business. The Division's profit before tax of RM9.8 million for the period under review was lower by 43% 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 RM141.4 million for the period under review, a marginal decrease of 3% as compared to the same period last year. The profit before tax decreased by RM1.6 million from RM12.6 million in 2012 to RM11.0 million in the current period. The lower profit recorded in the current period was primarily attributable to lower revenue generated as well as planned higher advertising and promotion expenses incurred, as part of its Over-the-Counter (OTC) products' brand-building program.

**CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)****(Incorporated in Malaysia)****For the Period Ended 30 June 2013****B1) Review of Performance (Continued)**

The Fertilizers Division recorded revenue of RM383.3 million during the period under review. This was 13% lower compared to the same period last year, contributed by the lower volume of compound fertilisers sold to plantations and export sectors. The profit before tax however increased by RM8.4 million from a loss of RM2.2 million in the preceding period to RM6.2 million in the current period. The higher profit before tax was primarily driven by improvement in gross profit margins as well as lower operating expenses.

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

The Group's revenue for the current quarter was RM395.1 million, higher by RM106.6 million (or 37%) as compared to the immediate preceding quarter. This was primarily attributable to the increase in revenue contribution from all Divisions. Profit before tax increased by 67% from RM9.4 million in the preceding quarter to RM15.7 million in the current quarter. The increase in profit before tax was mainly attributable to seven (7) fold increased in profit from Fertilizers Division to RM5.5 million from RM0.7 million in the preceding quarter. The higher profit from Fertilizers Division was primarily driven by a 67% increased in revenue in line with manuring season for plantations, higher gross profit margin and operational cost reduction. Pharmaceuticals Division recorded higher profit contribution during the quarter by RM4.0 million, largely attributed by the change in fair value of its investment property of RM3.7 million. The improvement in profits in both Fertilizers and Pharmaceuticals Divisions had partly cushioned the lower profit contributions by Chemicals Division during the quarter.

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 the expected rebound is yet to unfold. The polymer coating businesses is expected to cushion the cyclical effect of the chlor alkali market. The Division is continuously striving to increase its trading margin for the current financial year, which focuses on new trading segments and expansion of its customer base within the region.

The demand for pharmaceuticals products is expected to remain relatively stable throughout the financial year. The prospects for the Division remain positive as it consolidates its position 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. The situation is expected to remain subdued for the rest of this year. The Fertilisers Division will continue to focus on market penetration both locally and regionally and operational excellence in the current financial year.

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



CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
(Incorporated in Malaysia)
For the Period Ended 30 June 2013

B4) Variance of Actual Profit from Forecast Profit

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

B5) Taxation

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

	Current Quarter 30 June 2013 RM'000	Current Period 30 June 2013 RM'000
Taxation		
In respect of profit for the year	7,339	8,391
Transfer from deferred tax	(2,227)	(957)
	<u>5,112</u>	<u>7,434</u>

B6) Profit Before Tax

	Current Quarter 30 June 2013 RM'000	Current Period 30 June 2013 RM'000
Operating profit is arrived at after charging / (crediting):		
Allowance for doubtful debt	261	531
Bad debts written off	64	64
Depreciation of property, plant and equipment	10,164	24,396
Interest expense	8,272	15,889
Write-down of inventories	(5)	28
Write-off of inventories	844	844
Change in fair value of investment properties	(3,759)	(3,759)
Net foreign exchange gain	(286)	(1,869)
Interest income	(1,442)	(2,842)
Reversal of impairment loss on trade receivables	172	(311)
	<u>172</u>	<u>(311)</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 30 June 2013.



CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)

(Incorporated in Malaysia)

For the Period Ended 30 June 2013

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 29 August 2013.

B8) Group Borrowings and Debt Securities

The Group borrowings as at 30 June 2013 were as follows:

	30 June 2013 RM'000	31 December 2012 RM'000
Short term borrowings		
Unsecured		
Ringgit Malaysia denominated	195,564	217,869
United States Dollar denominated	42,667	75,774
	<u>238,231</u>	<u>293,643</u>
Long term borrowings		
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.



CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
(Incorporated in Malaysia)
For the Period Ended 30 June 2013

B10) Earnings per share

	Current Quarter 30 June 2013	Current Period 30 June 2013
a) Basic Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	<u>4,325</u>	<u>8,701</u>
Issued ordinary shares at beginning of the period ('000)	457,630	457,630
Effects of shares issued ('000)	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares ('000) at ending of the quarter/year	<u>457,630</u>	<u>457,630</u>
Basic earnings per share (sen)	<u>0.95</u>	<u>1.90</u>
b) Diluted Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	<u>4,325</u>	<u>8,701</u>
Weighted average number of ordinary shares ('000)		
diluted at ending of the quarter/year	<u>457,630</u>	<u>457,630</u>
Diluted earnings per share (sen)	<u>0.95</u>	<u>1.90</u>


CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)

(Incorporated in Malaysia)

For the Period Ended 30 June 2013

B11) Dividend

The Board of Directors has approved an interim single tier dividend of 2.15 sen per share (2011 : nil) based on paid up capital of approximately 457.6 million share at par value of RM 1.00 each amounting to approximately RM 9.84 million. The entitlement date in respect of the interim single tier dividend is on 30 October 2013 and the payment date is on 15 November 2013.

B12) Economic Profit (“EP”) Statement

<i>In millions of RM</i>	Current Quarter		Current Period	
	30 June		30 June	
	2013	2012	2013	2012
<u>Net operating profit after tax</u> <u>(“NOPAT”) computation</u>				
Earnings before interest and tax	21.8	18.6	36.3	41.4
Adjusted tax	(5.4)	(4.7)	(9.1)	(10.4)
NOPAT	16.4	13.9	27.2	31.0
<u>Economic charge computation:</u>				
Average invested capital	1,521.0	1,592.8	1,521.0	1,592.8
Weighted average cost of capital %	5.09%	4.94%	5.09%	4.94%
Economic charge	19.4	19.7	38.7	39.3
Economic loss	(3.0)	(5.8)	(11.5)	(8.3)

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



CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)

(Incorporated in Malaysia)

For the Period Ended 30 June 2013

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, 22 May 2013 and 13 June 2013. Parties attended court on 25 July for clarifications. The High Court has on 22 August 2013 dismissed the Plaintiff's claim and Defendant's counterclaim with no order to costs.

B14) Disclosure of Realised and Unrealised

	30 June 2013 RM'000	31 December 2012 RM'000
Total retained profits of CCM Berhad and its subsidiaries:		
- Realised	269,966	273,735
- Unrealised	84,514	72,044
Total	354,480	345,779



CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
(Incorporated in Malaysia)
For the Period Ended 30 June 2013

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 29 August 2013.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)
Company Secretary
29 August 2013