









**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 2015 except for the adoption of the following MFRS and Amendments to MFRSs during the current financial period :-

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

* Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
* Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
* Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
* Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
* Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
* Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
* Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
* Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

The adoption of the above MFRS and Amendments to MFRSs did not have any material impact on these condensed consolidated interim financial statements.

The following MFRSs and Amendments to MFRSs are not applicable to the Group and hence have not been adopted by the Group:

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

* MFRS 14, *Regulatory Deferral Accounts*
* Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
* Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*

**A2) Changes in Accounting Policies (continued)**

The following revised MFRSs and Amendments to MFRSs 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 2017**

* Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
* Amendments to MFRS 112*, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

* MFRS 9, *Financial Instruments (2014)*
* MFRS 15, *Revenue from Contracts with Customers*

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019;**

* MFRS 16, *Leases*

**MFRSs, Interpretations and amendments effective for 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 is currently assessing the financial impact that may arise from the adoption of the above amendments.

**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 2015 was not subject to any qualification.

**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 prior year 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**

No dividend was paid in the current quarter under review.

**A9) Segment reporting**





**A10) Property, plant and equipment**

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

**A11) Post balance sheet event**

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

**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. The contingent liability involved in the tax appeal amounted to IDR36,100,000,000 (equivalent to approximately RM9.7 million). The hearing of the appeals was concluded on 29th July 2015 and the matter is now pending decision from the Indonesian Tax Court.

Save as disclosed, there are no 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 31 March 2016.



**A15) Discontinued operations and assets/liabilities classified as held for sale**

Pursuant to the Group’s portfolio review in the financial year 2015, after analyzing the market outlook, competitive intensity and the attractiveness of industry, the Board had strategically decided to exit the fertilizer business. The Group therefore presents and disclose in its financial statements, the financial effects of discontinued operations in accordance to MFRS 5(*Non Current Assets Held For Sale and Discontinued Operations).* The results of the discontinued operations are as follows:-

**A15) Discontinued operations and assets/liabilities classified as held for sale (continued)**



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

**B1) Review of Performance**

Commentary for Individual/Cumulative Quarter ended 31 March 2016

**Continuing operations**

For the current quarter ended 31 March 2016, the Group recorded revenue of RM151.5 million, lower by 7.1% compared to the corresponding quarter last year. The Group’s profit before tax for the current quarter under review accordingly, decreased to RM12.2 million from RM14.6 million recorded in the same quarter last year.

Pharmaceuticals Division’s revenue for the quarter was RM79.5 million, a decrease of 9.0% compared to the same quarter last year. The higher revenue for quarter ended 31 March 2015 was largely contributed by the pre-loading of purchases by customers ahead of the implementation of GST on 1 April 2015. The Division recorded profit before tax of RM7.3 million, a decrease of 33.8% as compared to the corresponding quarter last year. The lower profit recorded was mainly attributed by the lower sales registered during the quarter, and a decline in its trading margins due to products mix.

Chemicals Division recorded revenue of RM71.95 million during the quarter under review, which was marginally higher compared to the same quarter last year of RM71.67 million. The Division recorded a higher profit before tax of RM9.7 million, an increase of 51.6% as compared to the corresponding quarter last year. The growth in profit before tax is primarily due to improved margin on its products, and savings from its operational efficiency initiatives in both chemicals and polymers businesses.

**Discontinued operations**

In Note A15, the Group presents and discloses in its financial statements, the financial effects of discontinued operations in accordance to MFRS 5(*Non Current Assets Held For Sale and Discontinued Operations).*

Fertilizers Division recorded revenue of RM53.6 million during the quarter under review. This was 50% lower compared to the same quarter last year, as the Division currently focuses its activities on sales of existing stocks; pursuant to the closure of one of its manufacturing plant. During the period under review, Fertilizers Division recorded loss from the operation of RM7.1 million as compared to the loss of same period last year of RM4.3 million.

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

**Continuing operations**

The Group’s revenue for the current quarter of RM151.5 million was lower by RM8.6 million (or 5.4%) as compared to the immediate preceding quarter revenue of RM160.1 million. This was mainly contributed by lower revenue recorded in both Pharmaceuticals and Chemical Divisions. The decline in revenue and lower trading margins resulted in the Group recording a lower profit before tax of RM12.2 million during the quarter, a decrease of 36.8%, compared to the preceding quarter.

**Discontinued operations**

Fertilizers Division recorded revenue of RM53.6 million during the quarter under review. This was 14.4% lower compared to the preceding quarter, as the Division currently focuses its activities primarily on sales of existing stocks in line with the closure of one of its manufacturing plant. Loss from the operation for the quarter was RM7.1 million compared to RM83.8 million recorded in the immediate preceding quarter. (Note : Q4 2015 financial results included impairment made on certain assets of the fertilizers business totalling RM37.2 million)

**B3) Prospects**

**Continuing operations**

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. The demand for pharmaceuticals products is expected to remain relatively stable throughout the financial year.

The Chemicals Division is expected to continue to perform positively, although the markets remain competitive. The Chlor Alkali business is implementing continuous improvement program to extract operational savings, and striving to increase its trading margin while expanding its customer base within the region. At the same time, the Division’s polymer coating business will roll out research and development (R&D) programmes to develop newer products to enhance competitiveness and market share.

Albeit a challenging business environment amidst volatility of currencies and low commodity prices, the Group remains steadfast in improving production efficiency and cost effectiveness across all of its business divisions.

**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:



The Group’s effective tax rate is higher than the statutory tax rate mainly due to non-deductibility of certain expenses for tax purposes, and non-eligibility of losses incurred in the regional businesses for group tax relief.

**B6) Profit Before Tax**



Other than the above, there were no impairment of assets and gain or loss on derivatives for the current quarter and current period under review.

**B7) Status of corporate proposals**

**Proposed Sale of Three (3) Parcels of Land in Medan, Indonesia.**

On 23 February 2016, PT CCM Agripharma, a wholly-owned subsidiary of the Company, entered into a Conditional Land and Building Sale and Purchase Agreement (“SPA”) with PT Feedmill Indonesia for the proposed sale of three (3) parcels of land in Medan, Indonesia measuring in aggregate 75,339 square meters together with the building thereon for a cash consideration of Indonesian Rupiah (“IDR”) 121.8 billion on an ‘as is where is’ basis, subject to the terms and conditions as stipulated in the SPA. All Conditions Precedent as set out in the Sales and Purchase Agreement have been satisfied and the sale has been completed on 19 May 2016.

Save as the disclosed, there are no corporate proposals that have been announced by the Company but not completed as at the date of this announcement.

**B8) Group Borrowings and Debt Securities**

The Group borrowings as at 31 March 2016 were as follows:



**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**

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



**B11) Dividend**

The Board of Directors had approved an interim dividend of 2.50 sen per share (2015:2.50 sen per share) based on paid up capital of 457.6 million shares at par value of RM1.00 each amounting to approximately RM11.4 million. The entitlement date in respect of the dividend was on 20 May 2016 and the payment will be made on 3 June 2016.

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



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**

**Claim by CCM Agriculture Sdn Bhd against GLE Logistics (M) Sdn Bhd**

The Company’s wholly-owned subsidiary, CCM Agriculture Sdn. Bhd., had commenced legal proceedings against GLE Logistics (M) Sdn. Bhd. (“the Defendant”) in the High Court of Malaya at Kuala Lumpur vide Civil Suit No.  22NCVC-335-06/2015 for loss of products placed with the Defendant pursuant to a warehousing arrangement. Judgment in Default of Appearance has been obtained against Defendant on 1.10.2015. Petition for winding up the Defendant was filed on 20.1.2016. The High Court had on 17.03.2016 made a winding up order against GLE.

Save for the above, there were no other material litigations as at the end of period under review.

**B14) Disclosure of Realised and Unrealised**



**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 21 May 2016.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)

Company Secretary

23 May 2016

 *Bursa Q1 2016 v3*