









**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 2016 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 2017**

* Amendments to MFRS12, *Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)*
* Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
* Amendments to MFRS 112*, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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 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 2018;**

* MFRS 9, *Financial Instruments (2014)*
* MFRS 15, *Revenue from Contracts with Customers*
* Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)*
* Amendments to MFRS 2, *Classification and measurement of share-based payment transactions*
* Amendments to MFRS 4, *Applying MFRS 9- Financial Instruments with MFRS 4-Insurance Contracts*
* Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*
* Amendments to MFRS 140, *Transfer of Investment Property*
* IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
* Clarifications to MFRS 15, *Revenue from Contracts with Customers*

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

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

* MFRS 16, Leases

**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 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 2016 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 other material 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 RM11.0 million). The hearing of the appeals was concluded on 29th July 2015 and the matter is still 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**



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

In 2015, the Group committed to a plan to scale down its Fertilizers operating segment. The decision is consistent with the Group’s strategy to place greater focus on enhancing business profitability on its Pharmaceuticals, Chemicals and Polymers segments and to exit business operations which have been consistently underperforming over the years.

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

Part of the business operations under the Fertilizers operating segment is presented as a disposal group held for sale following the commitment of the Group’s management to a plan to sell the disposal group. The sale of disposal group was completed during the financial year ended 31 December 2016.

With the completion of the sale of the disposal group, the presentation of Discontinued Operations in the Consolidated Comprehensive Income is not required for the current period, save for its comparatives.

The results of the discontinued operations are as follows:-



**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 2017

**Continuing operations**

For the current quarter ended 31 March 2017, the Group recorded revenue of RM212.2 million, higher by 40.1% compared to the corresponding quarter last year. Group’s profit before tax for the current quarter under review, increased to RM16.1 million from RM12.2 million recorded in the same quarter last year.

Pharmaceuticals Business’s revenue for the quarter was RM123.3 million, increased by 55.2% compared to the same quarter last year, primarily driven by the improved demand from government sector and commencement of supply of human insulin formulation pursuant to a distribution agreement with Biocon Sdn. Bhd.. The Business recorded profit before tax of RM12.1 million, an increase of 22.0% as compared to the corresponding quarter last year. The higher profit recorded was mainly attributed by the increase in sales, though margin was compressed due to product mix and higher production costs.

Chemicals Business recorded revenue of RM64.5 million during the quarter under review, which was 22.0% higher compared to the same quarter last year of RM52.9 million. The Business recorded a higher profit before tax of RM6.3 million, an increase of 31.4% as compared to the corresponding quarter last year. The growth in profit before tax is primarily due to higher sales and margin as a result of higher average selling prices of its chlor alkali products and higher volume sold during the quarter under review.

Polymers Business recorded revenue of RM20.8 million during the quarter under review, which was 0.2% higher compared to the same quarter last year of RM20.7 million. The Business recorded a higher profit before tax of RM5.3 million, an increase of 8.2% as compared to the corresponding quarter last year. The increase in profit before tax is primarily due to changes in product mix and price increases on certain products.

**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).*

The Group completed the disposal of Assets Held for Sale, namely the 2 subsidiaries in East Malaysia, certain trade marks and 2 parcels of land in Bintulu, Sarawak in the year 2016. The operations incurred a loss before tax of RM7.1 million for the quarter ended 31 March 2016.

**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 RM212.2 million was higher by 43.6% as compared to the immediate preceding quarter revenue of RM147.8 million. The higher revenue was mainly contributed by increase in revenue recorded in Pharmaceuticals and Chemicals Businesses. The Group’s profit before tax of RM16.1 million for the current quarter was more than doubled as compared to the preceding quarter ended 31 December 2016 of RM5.1 million. Improved sales in all Businesses for the quarter give rise to the Group recording a higher profit before tax for the quarter.

**Discontinued operations**

Disposal of the discontinued operations were completed in the financial ended 31 December 2016. Loss before tax for the quarter ended 31 December 2016 was RM83.8 including stock written-off RM30.7 million and loss from disposal of Assets Held For Sale of RM37.1 million.

**B3) Prospects**

Demand in pharmaceutical industry is expected to remain stable for the rest of the year, however persistent foreign exchange volatility and uncertainties in the economy may further put pressure on manufacturing margin. To address the continuous industry challenges, the Business is embarking on the rationalization and upgrading of its manufacturing assets with enhanced cGMP, enabling the Business to tap into new markets and simultaneously meeting the increasing cGMP standards of the international markets.

Although the markets remain competitive, the Chemicals Business is expected to continue to perform positively. The Chemical 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. The Business will continue to be on the lookout for investment opportunities to complement its business portfolio.

Polymer Business is expected to remain stable. The Business will continue to roll out research and development (R&D) programmes to develop newer products to enhance competitiveness and market share.

The Group is continuously consolidating its position to make steady progress in each of its core businesses. The exit from Fertilizers business in 2016 had enabled the Group to move forward premised on its strength and focus on areas of greater potential, within the pharmaceuticals, chemicals and polymer businesses.

**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.

**B6) (Loss)/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**

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**



**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 (2016 : 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 17 May 2017 and the payment will be made on 1 June 2017.

**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**

There were no material litigations as at the end of period under review.

**B14) Disclosure of Realised and Unrealised Profits or Losses**



**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 23 May 2017.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)

Company Secretary

23 May 2017

*Bursa Announcement Q1 2017 v4*