**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE QUARTER AND PERIOD ENDED 31 MARCH 2018 (UNAUDITED)**

| *In thousands of RM* | Current Quarter 31 March 2018 | Current Quarter 31 March 2017 | Current Period 31 March 2018 | Current Period 31 March 2017 |
|---|---|---|---|---|
| *Continuing operations* | | | | |
| Revenue | 101,399 | 88,938 | 101,399 | 88,938 |
| Cost of goods sold | (72,969) | (68,245) | (72,969) | (68,245) |
| **Gross profit** | 28,430 | 20,693 | 28,430 | 20,693 |
| Other income | 1,862 | 949 | 1,862 | 949 |
| Distribution expenses | (736) | (1,318) | (736) | (1,318) |
| Administrative expenses | (6,169) | (7,962) | (6,169) | (7,962) |
| Other expenses | (4,926) | (3,404) | (4,926) | (3,404) |
| **Results from operating activities** | 18,461 | 8,958 | 18,461 | 8,958 |
| Share of profit of equity accounted investee, net of tax | 559 | 10 | 559 | 10 |
| Finance income | 1,076 | 1,142 | 1,076 | 1,142 |
| Finance costs | (5,570) | (6,088) | (5,570) | (6,088) |
| **Profit before tax** | 14,526 | 4,022 | 14,526 | 4,022 |
| Income tax expense | (4,170) | (1,844) | (4,170) | (1,844) |
| **Profit from continuing operations** | 10,356 | 2,178 | 10,356 | 2,178 |
| *Discontinued operations* | | | | |
| Profit from discontinued operations, net of tax | - | 9,573 | - | 9,573 |
| **Profit for the period** | 10,356 | 11,751 | 10,356 | 11,751 |
| **Other comprehensive income** | | | | |
| Fair value of available-for-sale financial assets | 11,280 | (7,232) | 11,280 | (7,232) |
| Foreign currency translation differences for foreign operations | 4,428 | (592) | 4,428 | (592) |
| **Total comprehensive income for the period** | 26,064 | 3,927 | 26,064 | 3,927 |
| **Profit attributable to :** | | | | |
| Owners of the Company | | | | |
| - from continuing operations | 9,981 | 1,203 | 9,981 | 1,203 |
| - from discontinued operations | - | 7,024 | - | 7,024 |
| | 9,981 | 8,227 | 9,981 | 8,227 |
| Non-controlling interests | 375 | 3,524 | 375 | 3,524 |
| | 10,356 | 11,751 | 10,356 | 11,751 |
| **Total comprehensive income attributable to :** | | | | |
| Owners of the Company | | | | |
| - from continuing operations | 25,689 | (6,621) | 25,689 | (6,621) |
| - from discontinued operations | - | 7,024 | - | 7,024 |
| | 25,689 | 403 | 25,689 | 403 |
| Non-controlling interests | 375 | 3,524 | 375 | 3,524 |
| | 26,064 | 3,927 | 26,064 | 3,927 |
| **Basic earnings per share (Sen)** | | | | |
| - from continuing operations | 5.95 | 0.26 | 5.95 | 0.26 |
| - from discontinued operations | - | 1.54 | - | 1.54 |
| | 5.95 | 1.80 | 5.95 | 1.80 |
| **Diluted earnings per share (Sen)** | | | | |
| - from continuing operations | 5.95 | 0.26 | 5.95 | 0.26 |
| - from discontinued operations | - | 1.54 | - | 1.54 |
| | 5.95 | 1.80 | 5.95 | 1.80 |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Interim Financial Report.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2018 (UNAUDITED)

| *In thousands of RM* | As at 31 March 2018 | As at 31 December 2017 |
|---|---|---|
| **ASSETS** | | |
| Property, plant and equipment | 145,056 | 143,816 |
| Investment properties | 20,020 | 20,020 |
| Intangible assets | 97,148 | 94,170 |
| Investment in associates | 16,167 | 15,608 |
| Other Investments | 56,848 | 45,568 |
| Deferred tax assets | 2,494 | 2,321 |
| **Total non-current assets** | 337,733 | 321,503 |
| | | |
| Inventories | 31,869 | 39,277 |
| Current tax assets | 17,755 | 18,330 |
| Trade and other receivables | 131,689 | 136,005 |
| Cash and cash equivalents | 164,211 | 160,345 |
| | 345,524 | 353,957 |
| Assets classified as held for sale | 185,900 | 185,900 |
| **Total current assets** | 531,424 | 539,857 |
| **TOTAL ASSETS** | 869,157 | 861,360 |
| | | |
| **EQUITY AND LIABILITIES** | | |
| Share capital | 81,920 | 81,920 |
| Reserves | 179,129 | 163,421 |
| Retained earnings | 46,904 | 36,923 |
| **Total equity attributable to equity holders of the Company** | 307,953 | 282,264 |
| **Non-controlling interests** | (985) | (1,360) |
| **Total equity** | 306,968 | 280,904 |
| | | |
| Loans and borrowings | 100,000 | 108,750 |
| Deferred tax liabilities | 24,043 | 24,044 |
| **Total non-current liabilities** | 124,043 | 132,794 |
| | | |
| Loans and borrowings | 356,570 | 359,388 |
| Trade and other payables | 80,121 | 87,980 |
| Current tax liabilities | 1,455 | 294 |
| **Total current liabilities** | 438,146 | 447,662 |
| **Total liabilities** | 562,189 | 580,456 |
| | | |
| **TOTAL EQUITY AND LIABILITIES** | 869,157 | 861,360 |
| | | |
| **Net assets per share attributable to ordinary equity holders of the parent (sen)** | **184** | **168** |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Interim Financial Report.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018 (UNAUDITED)**

| *In thousands of RM* | Attributable to shareholders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | | | | Distributable | | | |
| | Share capital | Share premium | Capital redemption reserve | Translation reserve | Fair value reserve | Revaluation reserve | Other capital reserve | Treasury shares | Retained earnings | Total | Non-controlling interest | Total equity |
| **At 1 January 2018** | 81,920 | - | - | 18,351 | 29,727 | 112,361 | 2,982 | - | 36,923 | 282,264 | (1,360) | 280,904 |
| Fair value of available-for-sale financial assets | - | - | - | - | 11,280 | - | - | - | - | 11,280 | - | 11,280 |
| Foreign curency translation differences | - | - | - | 4,428 | - | - | - | - | - | 4,428 | | 4,428 |
| Total other comprehensive income for the period | - | - | - | 4,428 | 11,280 | - | - | - | - | 15,708 | - | 15,708 |
| Profit for the period | - | - | - | - | - | - | - | - | 9,981 | 9,981 | 375 | 10,356 |
| Total comprehensive income for the period | - | - | - | 4,428 | 11,280 | - | - | - | 9,981 | 25,689 | 375 | 26,064 |
| **As at end of period** | 81,920 | - | - | 22,779 | 41,007 | 112,361 | 2,982 | - | 46,904 | 307,953 | (985) | 306,968 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Interim Financial Reports.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017**

| *In thousands of RM* | ◄ Attributable to shareholders of the Company | | | | | | | | ► | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ◄ Non-distributable | | | | | | ► | | Distributable | | | |
| | **Share capital** | **Share premium** | **Capital redemption reserve** | **Translation reserve** | **Fair value reserve** | **Revaluation reserve** | **Other capital reserve** | **Treasury shares** | **Retained earnings** | **Total** | **Non-controlling interest** | **Total equity** |
| **At 1 January 2017** | 457,630 | 39,944 | 73 | (228) | 34,233 | 112,361 | 2,982 | (5,836) | 98,429 | 739,588 | 152,188 | 891,776 |
| Fair value of available-for-sale financial assets | - | - | - | - | (4,506) | - | - | - | - | (4,506) | - | (4,506) |
| Foreign currency translation differences | - | - | - | 18,579 | - | - | - | - | - | 18,579 | | 18,579 |
| Total other comprehensive income for the period | - | - | - | 18,579 | (4,506) | - | - | - | - | 14,073 | - | 14,073 |
| Profit for the year | - | - | - | - | - | - | - | - | 25,919 | 25,919 | 13,899 | 39,818 |
| Total comprehensive income for the period | - | - | - | 18,579 | (4,506) | - | - | - | 25,919 | 39,992 | 13,899 | 53,891 |
| Dividends to owners of the Company | - | - | - | - | - | - | - | - | (11,366) | (11,366) | - | (11,366) |
| Dividends to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (8,403) | (8,403) |
| Treasury shares sold | - | - | - | - | - | - | - | 5,836 | (1,277) | 4,559 | - | 4,559 |
| Acquisition of non-controlling interests | - | - | - | - | - | - | - | - | (8,834) | (8,834) | (31,166) | (40,000) |
| Placement of new shares | 60,010 | - | - | - | - | - | - | - | - | 60,010 | - | 60,010 |
| Effect of demerger | (475,737) | - | - | - | - | - | - | - | (65,948) | (541,685) | (127,878) | (669,563) |
| Transfer in accordance with Section 618(2) of the Companies Act 2016 | 40,017 | (39,944) | (73) | - | - | - | - | - | - | - | - | - |
| **As at 31 December 2017** | 81,920 | - | - | 18,351 | 29,727 | 112,361 | 2,982 | - | 36,923 | 282,264 | (1,360) | 280,904 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Interim Financial Reports.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE PERIOD ENDED 31 MARCH 2018 (UNAUDITED)**

| | Three Months Ended 31 March | |
|---|---|---|
| **In thousands of RM** | **2018** | **2017** |
| **Cash flows from operating activities** | | |
| Profit before taxation | | |
| - continuing operations | 14,526 | 4,022 |
| - discontinued operation | - | 12,123 |
| | 14,526 | 16,145 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 5,724 | 11,028 |
| Finance costs | 5,570 | 7,400 |
| Interest income | (1,076) | (1,857) |
| Share of profit of equity accounted associates | (559) | (10) |
| *Operating profit before changes in working capital* | 24,185 | 32,706 |
| Change in inventories | 7,253 | (8,990) |
| Change in payables and accruals | (14,869) | (8,234) |
| Change in receivables, deposits and prepayments | 17,945 | (18,860) |
| *Cash generated/(used in) from operations* | 34,514 | (3,378) |
| Finance costs paid | (5,570) | (7,400) |
| Interest income | 1,076 | 1,857 |
| Income tax paid | (3,922) | (1,902) |
| Net cash generated/(used in) from operating activities | 26,098 | (10,823) |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment | (9,922) | (23,333) |
| Acquisition of development expenditure | - | (1,747) |
| Net cash used in investing activities | (9,922) | (25,080) |
| **Cash flows from financing activities** | | |
| Net (repayment)/drawdown of loans and borrowings | (11,568) | 14,238 |
| Net cash (used in)/generated from financing activities | (11,568) | 14,238 |
| Exchange difference on translation of the financial statements of foreign operations | (742) | (954) |
| Net increase/(decrease) in cash and cash equivalents | 3,866 | (22,619) |
| Cash and cash equivalents at 1 January | 160,345 | 288,317 |
| Cash and cash equivalents as at end of period | 164,211 | 265,698 |

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 31 March 2018**

**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. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017.

## 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 2017 except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2018.

**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*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts - 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, *Investment Property - Transfer of Investment Property*

The Group adopted the above MFRSs and Amendments to MFRSs except for MFRS 2 and MFRS 4 which are not applicable to the Group. The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

### (i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

Previously, the Group recognised revenue from contracts with customers on the basis of fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers that requires customer related costs to be allocated as a deduction of revenue.

**A2) Changes in Accounting Policies**

**MFRS 15, *Revenue from Contracts with Customers (continued)***

The Group manufactures and sells certain chemical products for a customer under a non-cancellable exclusive rights to supply contract. Previuosly, the Group recognised revenue from contracts with customers after the significant risk and rewards of ownership is transferred to the customers. Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers when the performance obligations are satisfied over time. The Group applies MFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application.

(ii) **MFRS 9, *Financial instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principle classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale. Upon adoption of MFRS 9, financial assets previously measured at available for sale is now measured using FVOCI.

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 2019;**

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations - Previously Held Interest in a Joint Operation (Annual Improvements to MFRS Standards 2015–2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation (Annual Improvements to MFRS Standards 2015–2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements to MFRS Standards 2015–2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs - Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRS Standards 2015–2017 Cycle)*
- Amendments to MFRS 128, *Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
- *Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)*

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

**MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2020;**

- Amendments to MFRS 2, *Share-Based Payment*
- Amendment to MFRS 3, *Business Combinations*
- Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Amendment to MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134, *Interim Financial Reporting*
- Amendment to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
- Amendment to MFRS 138, *Intangible Assets*
- Amendment to IC Interpretation 12, *Service Concession Arrangements*
- Amendment to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendment to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendment to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to IC Interpretation 132, *Intangible Assets—*Web *Site Costs*

**MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2021;**

- MFRS 17, *Insurance Contracts*

**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 do not plan to adopt the above MFRS 11 and MFRS 17 which are not applicable for the Group. The initial applications of the above standards are not expected to have any material financial impacts.

**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 2017 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.

**A8) Dividends paid**

No dividend was paid in the current quarter under review.

**A9) Segment reporting**

| | Segment Revenue | | | |
|---|---|---|---|---|
| *In thousands of RM* | Individual 1st Quarter | | Cumulative 1st Quarter | |
| | 2018 | 2017 | 2018 | 2017 |
| **Continuing operations** | | | | |
| Chemicals | 79,190 | 64,523 | 79,190 | 64,523 |
| Polymers | 23,130 | 20,755 | 23,130 | 20,755 |
| Others* and inter-segment transactions | (921) | 3,660 | (921) | 3,660 |
| Group result | 101,399 | 88,938 | 101,399 | 88,938 |
| **Discontinued operations** | | | | |
| Pharmaceuticals | - | 123,306 | - | 123,306 |
| | 101,399 | 212,244 | 101,399 | 212,244 |

| | Segment Profit/(Loss) Before Tax | | | |
|---|---|---|---|---|
| *In thousands of RM* | Individual 1st Quarter | | Cumulative 1st Quarter | |
| | 2018 | 2017 | 2018 | 2017 |
| **Continuing operations** | | | | |
| Chemicals | 13,548 | 6,303 | 13,548 | 6,303 |
| Polymers | 5,243 | 5,276 | 5,243 | 5,276 |
| Others* and inter-segment transactions | (4,265) | (7,557) | (4,265) | (7,557) |
| Group result | 14,526 | 4,022 | 14,526 | 4,022 |
| **Discontinued operations** | | | | |
| Pharmaceuticals | - | 12,123 | - | 12,123 |
| | 14,526 | 16,145 | 14,526 | 16,145 |

** 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 events**

On 13 April 2018, the Company entered into a conditional share sale agreement with CCM Duopharma Biotech Berhad for the disposal of the Company's entire shareholding in PanGen Biotech Inc., involving 806,450 common shares, representing approximately 8.39% equity interest, for a cash consideration of RM59,156,546.56. The Proposed Disposal is in line with the Company's strategy to dispose its non-core assets and provides an opportunity for the Company to unlock value in the investment with the proceeds to be used to pare down bank borrowings which in turn would result in interest savings of approximately RM3.0 million per year.

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

**A12) Changes in the composition of the Group**

There were no 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 RM11.6 million). The hearing of the appeals was concluded on 29 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 the end of the current interim financial period.

**A14) Capital Commitments**

| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
|---|---|---|
| Contracted but not provided for | 5,252 | 22,249 |

**A15) Discontinued operations and assets/liabilities classified as Held for Sale**

(i) In 2017, the Company distributed its entire shareholding in CCM Duopharma Biotech Berhad ("CCMD") to the shareholders of the Company. Following the distribution, CCMD has ceased to be a subsidiary of the Company, thus reported as Discontinued Operation results, in the comparative period of 2017.

(ii) In 2017, the Company entered into a Sale and Purchase Agreement for disposal of three (3) parcels of leasehold land measuring approximately 70.93 acres for a cash consideration of RM190 million to Global Vision Logistics Sdn Bhd, thus reclassified as Asset Held For Sale.

The results of the discontinued operations were as follows:-

| *In thousands of RM* | **Current Period 3 months ended 31 March 2018** | **Current Period 3 months ended 31 March 2017** |
|---|---|---|
| **Results of discontinued operation** | | |
| Revenue | - | 123,306 |
| Expenses | - | (111,183) |
| **Results from operating activities** | - | 12,123 |
| Income tax expense | - | (2,550) |
| **Profit from discontinued operations** | - | 9,573 |
| **Cash flows of discontinued operation** | | |
| Cash generated from operating activities | - | (636) |
| Cash used in investing activities | - | (16,141) |
| Cash used in financing activities | - | 13,614 |
| **Effect of cash flows** | - | (3,163) |

Assets Held for Sale as at end of the period consists of:-

| *In thousands of RM* | **As at 31 March 2018** | **As at 31 December 2017** |
|---|---|---|
| **Assets classified as held for sale** | | |
| Investment property | 185,900 | 185,900 |

**CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)**
**(Incorporated in Malaysia)**
**For the Period Ended 31 March 2018**

**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 2018**

Continuing operations

| *In thousands of RM* | Current Year Quarter | Preceding Year Corres-ponding Quarter | Changes (Amount) | Changes (%) |
|---|---|---|---|---|
| **Segment Revenue** | | | | |
| Chemicals | 79,190 | 64,523 | 14,667 | 22.73 |
| Polymers | 23,130 | 20,755 | 2,375 | 11.44 |
| Others and inter-segment transactions | (921) | 3,660 | (4,581) | (125.16) |
| Group result (continuing operations) | 101,399 | 88,938 | 12,461 | 14.01 |
| **Segment profit/(loss) before tax** | | | | |
| Chemicals | 13,548 | 6,303 | 7,245 | 114.95 |
| Polymers | 5,243 | 5,276 | (33) | (0.63) |
| Others and inter-segment transactions | (4,265) | (7,557) | 3,292 | (43.56) |
| Group result (continuing operations) | 14,526 | 4,022 | 10,504 | 261.16 |

For the current quarter ended 31 March 2018, the Group recorded revenue of RM101.4 million, higher by 14.0% compared to the corresponding quarter last year of RM88.9 million. The increase was mainly due to improved revenue from both Chemicals and Polymers Divisions. Additionally, included in Others Segment for the preceding year was sales of fertilizers inventory amounting to RM3.6 million being the last delivery of its sales contract with a customer since the cessation of fertilizers business in 2016.

The Group recorded profit before tax in the current quarter of RM14.5 million, increased from RM4.0 million recorded in the same quarter last year, driven mainly from improved sales for the current quarter as well as positive impact from operational efficiency initiatives. The profit before tax for quarter ended 31 March 2017 included expenses in relation to dismantling of fertilizers plant in Shah Alam and accrual for transportation claims related to fertilizers business totaling RM3.0 million.

Chemicals Division recorded revenue of RM79.2 million during the quarter under review, which was 22.7% higher compared to the same quarter last year of RM64.5 million and consequently a higher profit before tax of RM13.5 million, as compared to the corresponding quarter last year of RM6.3 million. The increase in revenue and profit before tax were primarily due to higher sales and margin respectively, as a result of higher average selling prices of its chlor-alkali products, higher volume sold during the quarter under review and positive impact of operational efficiency initiatives.

Polymers Division recorded revenue of RM23.2 million during the quarter under review, which was 11.6% higher compared to the same quarter last year of RM20.8 million. The Division recorded lower profit before tax of RM5.2 million, a decrease of 1.7% as compared to the corresponding quarter last year of RM5.3 million. The decrease in profit before tax was primarily due to changes in sales mix during the period.

**CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)**
**(Incorporated in Malaysia)**
**For the Period Ended 31 March 2018**

**B1) Review of Performance (continued)**

Discontinued operations

On 28 December 2017, the Company distributed its entire shareholding in CCM Duopharma Biotech Berhad ("CCMD") to the shareholders of the Company. Following the distribution, CCMD has ceased to be a subsidiary of the Company, thus reported as Discontinued Operation results as comparative in 2017. During the first quarter 2017, the Pharmaceuticals Division recorded revenue of RM123.3 million and profit before tax of RM12.1 million.

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

Continuing operations

| *In thousands of RM* | **Current Quarter** | **Preceding Quarter** | **Changes (Amount)** | **Changes (% )** |
|---|---|---|---|---|
| **Segment Revenue** | | | | |
| Chemicals | 79,190 | 85,727 | (6,537) | (7.63) |
| Polymers | 23,130 | 23,556 | (426) | (1.81) |
| Others and inter-segment transactions | (921) | (51) | (870) | 1,705.88 |
| Group result | 101,399 | 109,232 | (7,833) | (7.17) |
| **Segment profit/(loss) before tax** | | | | |
| Chemicals | 13,548 | 16,706 | (3,158) | (18.90) |
| Polymers | 5,243 | 4,676 | 567 | 12.13 |
| Others and inter-segment transactions | (4,265) | (14,248) | 9,983 | (70.07) |
| Group result | 14,526 | 7,134 | 7,392 | 103.62 |

The Group's revenue for the current quarter of RM101.4 million was lower by 7.2% as compared to the immediate preceding quarter revenue of RM109.2 million. The lower revenue was mainly contributed by both Chemicals and Polymers Divisions. Despite the decrease in revenue, the Group's profit before tax for the current quarter increased to RM14.5 million compared to RM7.1 million in the immediate preceding quarter. Included in the results of the preceding quarter were expenses in relation to various corporate exercises of RM2.0 million and dismantling works for Shah Alam plant of RM3.1 million.

Discontinued operations

On 28 December 2017, CCM Duopharma Biotech Berhad ceased to be a subsidiary of the Company. In the preceding quarter, the Pharmaceuticals Division recorded revenue of RM112.3 million and profit before tax of RM12.8 million.

**B3) Prospects**

The de-merger of CCM Duopharma Biotech Berhad from the Group was completed on 28 December 2017. The Group now focuses on growing its Chemicals and Polymers Divisions, consolidating its position to make steady progress in each of its core businesses. Both Divisions will continue to evaluate opportunities within its respective markets to ensure growth. The Group will continue its de-gearing plans via divestment of identified non-core assets to continuously strengthen its financial position. This will give the Group ample agility to pursue its planned expansion and growth strategy moving forward.

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**B3) Prospects (continued)**

Although the markets remain competitive, the Chemicals Division is expected to continue to perform positively. It will be reactivating its Pasir Gudang Works 1 to increase its production capacity, enabling the Chemicals Division to seize the market opportunities for its chlor alkali products. It will continue implementing continuous improvement program to extract operational savings and striving to increase its trading margin while expanding its customer base within the region. The Division will continue to expand its core capabilities both domestically and regionally to improve its market share.

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

**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 | Current Period |
|---|---|---|
| Taxation | **RM'000** | **RM'000** |
| In respect of profit for the period | 4,344 | 4,344 |
| Transfer from deferred tax | (174) | (174) |
| | 4,170 | 4,170 |

The Group's effective tax rate was higher than the statutory tax rate mainly due to non-deductibility of certain expenses for tax purposes.

**B6) Profit Before Tax**

| | Current Quarter | Current Period |
|---|---|---|
| **Operating profit is arrived at after charging / (crediting):** | **RM'000** | **RM'000** |
| Depreciation and amortization | 5,724 | 5,724 |
| (Write-back)/Provision for receivables | (223) | (223) |
| Provision for and write-off of inventories | 1,000 | 1,000 |
| Net foreign exchange loss | 404 | 404 |
| Interest expense | 5,570 | 5,570 |
| Interest income | (1,076) | (1,076) |

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.

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**B7) Status of corporate proposals**

A. On 2 August 2017, followed by amendments and clarifications on 4 August 2017, the Company announced and made further clarification on the following proposals:

(i) Proposed placement of up to 10% of the issued share capital of the Company (excluding treasury shares) ("Proposed Placement");

The Company raised a total of RM60.1 million from the placement exercise which was completed on 13 October 2017, following the listing and quotation of 45,463,186 new shares on the Main Market of Bursa Securities. As at the date of this report, the proceeds raised had been fully utilised as follows:

| **Purpose** *(in millions of RM)* | **Proposed Utilisation** | **Reallocation** | **Actual Utilisation** | **Balance unutilised** | **Deviation Amount** |
|---|---|---|---|---|---|
| Partial repayment of bank borrowings | 35.0 | - | 35.0 | - | - |
| Partial payment for acquisition of minority interests in CCM Chemicals Sdn Bhd* | 21.5 | 2.6 | 24.1 | - | (2.6) |
| Defrayment of expenses related to the proposals* | 3.6 | (2.6) | 1.0 | - | 2.6 |
| **Total** | **60.1** | **-** | **60.1** | **-** | - |

*Explanation on the deviations: the expenses related to the proposal were lower than expected and the remaining proceeds were reallocated and utilised for partial repayment for acquisition of interests in CCM Chemicals Sdn. Bhd.

(ii) Proposed disposal of the following three (3) parcels of leasehold land measuring approximately 70.93 acres for a cash consideration of RM190 million to GBA Corporation Sdn Bhd ("GBA Corp"):

a) PN 112585 Lot 818 Seksyen 16 Bandar Shah Alam, Daerah Petaling, Negeri Selangor ("Lot 818") (excluding that portion of Lot 818 measuring 11,655 square metres which has been taken over by Perbadanan Kemajuan Negeri Selangor and which is to be surrendered to the relevant authority(ies) pursuant to the terms and conditions of the Land Exchange Agreement dated 1 July 2004 as amended and supplemented by a supplemental agreement to the Land Exchange Agreement dated 4 April 2016);

b) HS(D) 135878, PT 757 Sek 16, Bandar Shah Alam, Daerah Petaling, Negeri Selangor ("PT 757"); and

c) HS(D) 135879, PT 758 Sek 16, Bandar Shah Alam, Daerah Petaling, Negeri Selangor ("PT 758")

(The aforesaid three (3) parcels of land are collectively referred to as "Shah Alam Land") ("Proposed disposal of Shah Alam Land").

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**B7) Status of corporate proposals (continued)**

On 18 September 2017, the parties to the Proposed Disposal of Shah Alam Land namely the Company ("CCMB") and GBA Corporation Sdn Bhd ("GBA" or "GBA Corp") mutually agreed (via exchange of letters ("Extension Letters")) to extend the deadline to agree on the terms and conditions of the Sale and Purchase Agreement("SPA") for the Proposed Disposal of Shah Alam Land from 15 September 2017 to 31 October 2017. The parties further extended the deadline, to agree on the terms and conditions of the SPA, from 31 October 2017 to 30 November 2017, via exchange of letters dated 24 October 2017.

On 30 November 2017, the Company entered into a conditional SPA with Global Vision Logistics Sdn Bhd ("GVL" or "Purchaser"), being the party nominated by GBA Corp, for the Proposed Disposal of Shah Alam Land.

On 28 February 2018, the parties to the SPA, have agreed to extend the date to fulfil the condition precedent of the SPA from 28 February 2018 to 2 March 2018, being the date of the Extraordinary General Meeting ("EGM") for the procurement of the Company's shareholders' approval for the Proposed Disposal of the Shah Alam Land, via a letter dated 26 February 2018. As a consequence, the Payment Deadline is extended to 2 June 2018.

On 2 March 2018, the shareholders of the Company have approved the Proposed disposal of Shah Alam Land, at EGM held on even date.

On 6 April 2018, the Economic Planning Unit had, vide its letter, resolved to approve the transfer of Shah Alam Land in favour of GVL.

The proposal is now pending completion which is scheduled on 2 June 2018.

B. On 13 April 2018 the Company entered into a conditional share sale agreement(SSA) with CCM Duopharma Biotech Berhad(CCMD) for disposal of the Company's entire shareholding in PanGen Biotech Inc.(PanGen), involving 806,450 common shares, representing approximately 8.39% equity interest, for a cash consideration of RM59,156,546.56. The Proposed Disposal is in line with the Company's strategy to dispose its non-core assets and provides an opportunity for the Company to unlock value in the investment, with the proceeds to be used to pare down bank borrowings which in turn would result in interest savings of approximately RM3.0 million per year. The disposal include the execution of the deed of novation of a marketing and commercialization agreement (MCA) between the Company, CCMD and PanGen in relation to the novation of all rights and obligations held by Company under the MCA to CCMD, as a condition precedent to the SSA.

The proposal is now pending the approval of the shareholders of both parties, the Company and CCM Duopharma Biotech Berhad.

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

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## B8) Group Borrowings and Debt Securities

| | 31 March 2018 | 31 December 2017 |
|---|---|---|
| | RM'000 | RM'000 |
| **Short term borrowings** | | |
| Unsecured | | |
| Ringgit Malaysia denominated | 356,570 | 359,388 |
| **Long term borrowings** | | |
| Unsecured | | |
| Ringgit Malaysia denominated | 100,000 | 108,750 |
| | 456,570 | 468,138 |

## B9) Material litigation

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

## B10) Dividend

The Board of Directors had approved a first single-tier interim dividend of 3.00 sen per share (2017 : 2.50 sen per share) based on issued share capital of 167.7 million shares amounting to approximately RM5.0 million. The entitlement date in respect of the dividend will be on 22 June 2018 and the payment will be made on 29 June 2018.

## B11) Earnings per share

| | Individual 1st Quarter | | Cumulative 1st Quarter | |
|---|---|---|---|---|
| | 31 March 2018 | 31 March 2017 | 31 March 2018 | 31 March 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Basic and Diluted Earnings Per Share:-** | | | | |
| Profit after tax and minority shareholders' interests (RM'000) | | | | |
| - from continuing operations | 9,981 | 1,203 | 9,981 | 1,203 |
| - from discontinued operations | - | 7,024 | - | 7,024 |
| | 9,981 | 8,227 | 9,981 | 8,227 |
| Weighted average number of ordinary shares ('000) at ending of the quarter/year | 167,696 | 454,632 | 167,696 | 454,632 |
| Basic earnings per share (sen) | | | | |
| - from continuing operations | 5.95 | 0.26 | 5.95 | 0.26 |
| - from discontinued operations | - | 1.54 | - | 1.54 |
| | 5.95 | 1.80 | 5.95 | 1.80 |

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

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**B11) Derivative financial instruments**

As at 31 March 2018, there were no outstanding derivative financial instruments in the Group.

**B12) Gains and losses arising from fair value changes of financial liabilities**

There were no material gains or losses from changes on the fair values of financial liabilities for the current period under review.

**B13) 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 2018.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)
Company Secretary
25 May 2018

*Bursa Announcement Q1 2018 v2*