



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND PERIOD ENDED 31 DECEMBER 2016 (UNAUDITED)**

<i>In thousands of RM</i>	Current Quarter		Current Period	
	31 December		31 December	
	2016	2015	2016	2015
<u>Continuing operations</u>				
Revenue	147,766	160,076	609,314	630,330
Cost of goods sold	(87,318)	(103,411)	(382,235)	(392,478)
Gross profit	60,448	56,665	227,079	237,852
Other income	1,836	12,284	2,966	13,076
Distribution expenses	(24,184)	(22,532)	(75,581)	(72,746)
Administrative expenses	(22,741)	(35,558)	(83,607)	(95,122)
Other expenses	(2,995)	8,842	(15,659)	(14,917)
Results from operating activities	12,364	19,701	55,198	68,143
Share of profit of equity accounted investee, net of tax	444	112	1,770	948
Finance income	2,055	2,353	9,381	5,470
Finance costs	(9,786)	(7,159)	(32,623)	(21,582)
Profit before tax	5,077	15,007	33,726	52,979
Income tax expense	(6,636)	(15,615)	(14,987)	(24,372)
(Loss)/Profit from continuing operations	(1,559)	(608)	18,739	28,607
<u>Discontinued operations</u>				
Loss from discontinued operations, net of tax	(83,835)	(90,435)	(100,990)	(101,863)
Loss for the period	(85,394)	(91,043)	(82,251)	(73,256)
<u>Other comprehensive income</u>				
Revaluation of property, plant and equipment upon transfer to investment properties	112,361	-	112,361	-
Fair value of available-for-sale financial assets	34,210	-	34,210	-
Foreign currency translation differences for foreign operations	5,264	10,638	5,564	6,645
Total comprehensive income	66,441	(80,405)	69,884	(66,611)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND PERIOD ENDED 31 DECEMBER 2016 (UNAUDITED)
(CONTINUED)**

<i>In thousands of RM</i>	Current Quarter		Current Period	
	31 December		31 December	
	2016	2015	2016	2015
Profit/(loss) attributable to :				
Owners of the Company				
- from continuing operations	(4,444)	(2,849)	9,113	19,785
- from discontinued operations	(63,409)	(70,537)	(73,909)	(82,261)
	(67,853)	(73,386)	(64,796)	(62,476)
Non-controlling interests	(17,541)	(17,657)	(17,455)	(10,780)
	(85,394)	(91,043)	(82,251)	(73,256)
Total comprehensive income attributable to :				
Owners of the Company				
- from continuing operations	146,799	7,574	160,656	26,092
- from discontinued operations	(63,409)	(70,537)	(73,909)	(82,261)
	83,390	(62,963)	86,747	(56,169)
Non-controlling interests	(16,949)	(17,442)	(16,863)	(10,442)
	66,441	(80,405)	69,884	(66,611)
Basic earnings per share (Sen)				
- from continuing operations	(0.98)	(0.63)	2.00	4.35
- from discontinued operations	(13.95)	(15.52)	(16.26)	(18.09)
	(14.93)	(16.15)	(14.26)	(13.74)
Diluted earnings per share (Sen)				
- from continuing operations	(0.98)	(0.63)	2.00	4.35
- from discontinued operations	(13.95)	(15.52)	(16.26)	(18.09)
	(14.93)	(16.15)	(14.26)	(13.74)

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 DECEMBER 2016 (UNAUDITED)

<i>In thousands of RM</i>	As at 31 December 2016	As at 31 December 2015
ASSETS		
Property, plant and equipment	419,963	445,944
Investment properties	210,370	25,470
Intangible assets	296,555	292,832
Investment in associates	14,927	16,217
Other Investments	50,074	15,864
Deferred tax assets	10,090	7,626
Total non-current assets	1,001,979	803,953
Inventories	173,092	199,251
Current tax assets	29,030	21,684
Trade and other receivables	194,863	227,918
Cash and cash equivalents	288,317	324,558
	685,302	773,411
Assets classified as held for sale	1,000	159,542
Total current assets	686,302	932,953
TOTAL ASSETS	1,688,281	1,736,906
EQUITY AND LIABILITIES		
Share capital	457,630	457,630
Reserves	180,494	28,951
Retained earnings	97,262	184,790
Total equity attributable to equity holders of the Company	735,386	671,371
Non-controlling interests	155,285	178,581
Total equity	890,671	849,952
Loans and borrowings	552,368	454,379
Deferred tax liabilities	29,948	19,296
Total non-current liabilities	582,316	473,675
Loans and borrowings	69,383	178,717
Provisions	493	964
Trade and other payables	143,531	147,379
Current tax liabilities	1,887	909
	215,294	327,969
Liabilities classified as held for sale	-	85,310
Total current liabilities	215,294	413,279
Total liabilities	797,610	886,954
TOTAL EQUITY AND LIABILITIES	1,688,281	1,736,906
Net assets per share attributable to ordinary equity holders of the parent (sen)	162	148

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 TWELVE MONTHS ENDED 31 DECEMBER 2016 (UNAUDITED)

In thousands of RM

In thousands of RM	Attributable to shareholders of the Company								Distributable Retained earnings	Total	Non-controlling interest	Total equity
	Non-distributable											
	Share capital	Share premium	Capital redemption reserve	Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserve	Treasury shares				
At 1 January 2016	457,630	39,944	73	(8,235)	23	-	2,982	(5,836)	184,790	671,371	178,581	849,952
Foreign exchange translation differences	-	-	-	4,972	-	-	-	-	-	4,972	592	5,564
Total other comprehensive income for the period	-	-	-	4,972	-	-	-	-	-	4,972	592	5,564
Revaluation of property, plant and equipment	-	-	-	-	-	112,361	-	-	-	112,361	-	112,361
Revaluation of other investment	-	-	-	-	34,210	-	-	-	-	34,210	-	34,210
Profit for the year	-	-	-	-	-	-	-	-	(64,796)	(64,796)	(17,455)	(82,251)
Total comprehensive income for the period	-	-	-	4,972	34,210	112,361	-	-	(64,796)	86,747	(16,863)	69,884
Issue of new shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	-	-	(22,732)	(22,732)	-	(22,732)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,433)	(6,433)
As at end of period	457,630	39,944	73	(3,263)	34,233	112,361	2,982	(5,836)	97,262	735,386	155,285	890,671

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 TWELVE MONTHS ENDED 31 DECEMBER 2015

In thousands of RM

<i>In thousands of RM</i>	Attributable to shareholders of the Company									Distributable Retained earnings	Non-controlling interest	Total equity
	Non-distributable				Fair value reserve	Revaluation reserve	Other capital reserve	Treasury shares				
	Share capital	Share premium	Capital redemption reserve	Translation reserve								
At 1 January 2015	457,630	39,944	73	(14,542)	23	-	2,982	(5,836)	269,998	750,272	130,326	880,598
Foreign exchange translation differences	-	-	-	6,307	-	-	-	-	-	6,307	338	6,645
Total other comprehensive income for the period	-	-	-	6,307	-	-	-	-	-	6,307	338	6,645
Loss for the year	-	-	-	-	-	-	-	-	(62,476)	(62,476)	(10,780)	(73,256)
Total comprehensive income for the period	-	-	-	6,307	-	-	-	-	(62,476)	(56,169)	(10,442)	(66,611)
Issue of new shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	67,055	67,055
Dividends to owners of the Company	-	-	-	-	-	-	-	-	(22,732)	(22,732)	-	(22,732)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,358)	(8,358)
As at 31 December 2015	457,630	39,944	73	(8,235)	23	-	2,982	(5,836)	184,790	671,371	178,581	849,952

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016 (UNAUDITED)

In thousands of RM	Twelve Months Ended 31 December	
	2016	2015
Cash flows from operating activities		
Profit/(loss) before taxation from		
Continuing operations	33,726	52,979
Discontinued operations	(100,924)	(96,054)
	(67,198)	(43,075)
Adjustments for:		
Amortisation of prepaid lease payments	-	387
Change in fair value of investment properties	-	(5,755)
Depreciation of property, plant and equipment	50,659	54,110
Loss on disposal of asset held for sale	15,553	-
Loss on disposal of property, plant and equipment	1,073	699
Finance costs	34,518	30,108
Interest income	(9,664)	(5,930)
Impairment loss on property, plant and equipment	-	37,604
Impairment loss on receivables	5,347	3,848
Share of profit of equity accounted associates	(1,770)	(948)
Inventories write off / write down	34,942	15,402
Property, plant and equipment written off	-	206
Unrealised foreign exchange loss/(gain)	3,155	(6,868)
<i>Operating profit before changes in working capital</i>	66,615	79,788
Change in inventories	24,824	(36,067)
Change in payables and accruals	(18,303)	19,116
Change in receivables, deposits and prepayments	(35,657)	5,674
<i>Cash generated from operations</i>	37,479	68,511
Finance costs paid	(34,518)	(30,108)
Interest income	9,664	5,930
Income tax paid	(14,075)	(30,107)
Net cash (used in) / generated from operating activities	(1,450)	14,226
Cash flows from investing activities		
Acquisition of property, plant and equipment	(93,970)	(45,516)
Acquisition of development expenditure	(3,723)	(1,611)
Acquisition of other investments	-	(75)
Placement of deposit pledged with bank		(15,000)
Proceeds from disposal of property, plant and equipment	110	331
Proceeds from disposal of brand	-	1,600
Proceeds from disposal of assets held for sale	103,587	-
Net cash generated from / (used in) investing activities	6,004	(60,271)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016 (UNAUDITED) (CONTINUED)

In thousands of RM	Twelve Months Ended 31 December	
	2016	2015
Cash flows from financing activities		
Dividends paid to non-controlling interests	(6,434)	(8,358)
Dividends paid to owners of the Company	(22,732)	(22,732)
Proceeds from new share issued to non-controlling interests	-	67,055
Net drawdown/(repayment) of loans and borrowings	(11,129)	106,576
Net cash (used in)/generated from financing activities	(40,295)	142,541
Exchange difference on translation of the financial statements of foreign operations	(501)	8,009
Net (decrease) / increase in cash and cash equivalents	(36,242)	104,505
Cash and cash equivalents at 1 January	324,559	208,212
Cash and cash equivalents as at end of period	288,317	312,717
The Condensed Cash Flow Statement should be read in conjunction with the Notes to the Interim		
Note :-		
Cash and cash equivalents	288,317	324,558
Deposit pledged	-	(15,000)
Cash and cash equivalents under assets classified as held for sale	-	3,159
	288,317	312,717



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*.

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.



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A2) Changes in Accounting Policies (continued)

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)*

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 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*

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*

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.



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A4) 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.

A5) Unusual Items due to their nature, size or incidence

- a. On 20 May 2016, the Company announced the completion of the proposed sale of three (3) parcels of land in Medan, Indonesia measuring in aggregate 75,339 square meters together with the building thereon by PT CCM Agripharma, a wholly-owned subsidiary of the Company, to PT Feedmill Indonesia for a cash consideration of Indonesian Rupiah 121.8 billion on an 'as is where is' basis. The Group had recognised a gain of RM21.5 million from the disposal.
- b. On 15 November 2016, the Company and its subsidiary, CCM Agrimax Sdn Bhd, completed the disposals of 100% equity interests in CCM Agriculture Sdn Bhd and CCM Agriculture (Sabah) Sdn Bhd and certain trade mark under Cock's Head Brand, for a revised cash consideration of RM40.8 million; and two parcels of mixed zone/town land in Kemena Land district, Bintulu, Sarawak together with the buildings thereon for RM35.0 million. The Group had recognized a total loss of RM37.1 million during the period under review from the said disposals.

Save as disclosed, 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

On 25 August 2016, the Company fully repaid the remaining outstanding Unsecured Sukuk Musyarakah of RM100 million. The repayment was made through drawdown of new term loan of the same amount.

Save for the above, 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.


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A8) Dividends paid

On 3 June 2016, the Company paid first interim single tier dividend of 2.50 sen per ordinary share totalling RM11.37 million for the financial year ending 31 December 2016.

On 18 November 2016, the Company paid second interim single tier dividend of 2.50 sen per ordinary share totalling RM11.37 million for the financial year ending 31 December 2016.

A9) Segment reporting

<i>In thousands of RM</i>	Segment Revenue			
	Individual 4th Quarter		Cumulative 4th Quarter	
	2016	2015	2016	2015
<u>Continuing operations</u>				
Pharmaceuticals	74,033	89,336	312,940	334,769
Chemicals	73,952	77,215	295,947	294,755
Others* and inter-segment transactions	(219)	(6,475)	427	806
Group result	147,766	160,076	609,314	630,330
<u>Discontinued operations</u>				
Fertilizers	16,372	62,641	145,924	367,509
	164,138	222,717	755,238	997,839

* Administrative and non-core activities

<i>In thousands of RM</i>	Segment Profit/(Loss) Before Tax			
	Individual 4th Quarter		Cumulative 4th Quarter	
	2016	2015	2016	2015
<u>Continuing operations</u>				
Pharmaceuticals	6,299	15,603	31,479	47,829
Chemicals	7,412	12,829	35,945	31,272
Others* and inter-segment transactions	(8,634)	(13,425)	(33,698)	(26,122)
Group result	5,077	15,007	33,726	52,979
<u>Discontinued operations</u>				
Fertilizers	(83,800)	(81,712)	(100,924)	(96,054)
	(78,723)	(66,705)	(67,198)	(43,075)

* Administrative and non-core activities



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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

The Group has completed the disposal of its 100% equity interests in CCM Agriculture Sdn Bhd and CCM Agriculture (Sabah) Sdn Bhd on 15 November 2016. The companies ceased to be the subsidiaries of the Group effective even date.

Save as disclosed above, 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

	31 December 2016 RM'000	31 December 2015 RM'000
Approved but not contracted for	279,461	269,074
Contracted but not provided for	7,253	35,099
	<u>286,714</u>	<u>304,173</u>



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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:-



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In thousands of RM

Results of discontinued operation

Revenue

Expenses

Results from operating activities

Income tax expense

Loss from discontinued operations

Cash flows of discontinued operation

Cash generated from / (used in) operating activities

Cash generated from / (used in) investing activities

Cash (used in) / generated from financing activities

Effect of cash flows

In thousands of RM

Assets classified as held for sale

Property, plant and equipment

Prepaid lease payments

Inventories

Trade and other receivables

Current tax assets

Cash and cash equivalents

Liabilities classified as held for sale

Loans and borrowings

Trade and other payables

Current tax liabilities

Current Period
12 months ended 31 December

	2016	2015
Revenue	145,924	367,509
Expenses	(246,848)	(463,563)
Results from operating activities	(100,924)	(96,054)
Income tax expense	(66)	(5,809)
Loss from discontinued operations	(100,990)	(101,863)
Cash flows of discontinued operation		
Cash generated from / (used in) operating activities	6,491	(55,209)
Cash generated from / (used in) investing activities	61,080	(2,089)
Cash (used in) / generated from financing activities	(70,730)	44,933
Effect of cash flows	(3,159)	(12,365)
	31-Dec-16	31-Dec-15
Assets classified as held for sale		
Property, plant and equipment	-	56,110
Prepaid lease payments	-	4,970
Inventories	-	66,868
Trade and other receivables	-	28,248
Current tax assets	-	187
Cash and cash equivalents	-	3,159
	-	159,542
Liabilities classified as held for sale		
Loans and borrowings	-	70,730
Trade and other payables	-	14,577
Current tax liabilities	-	3
	-	85,310



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

B1) Review of Performance

Commentary for Individual Quarter ended 31 December 2016

Continuing operations

For the current quarter ended 31 December 2016, the Group recorded revenue of RM147.8 million, lower by 7.7% compared to the corresponding quarter last year. Accordingly, the Group's profit before tax for the current quarter under review, declined to RM5.1 million from RM15.0 million recorded in the same quarter last year.

Pharmaceuticals Division's revenue for the quarter was RM74.0 million, decreased by 17.1% compared to the same quarter last year, primarily driven by lower sales from the ethical sector during the quarter. The Division recorded profit before tax of RM6.3 million, a decrease of 59.6% as compared to the corresponding quarter last year. The lower profit recorded was mainly attributed by the decline in its margin due to sales mix between the government and private sectors, increase in production costs impacted by foreign exchange and stock write offs incurred during the quarter under review.

Chemicals Division recorded revenue of RM74.0 million during the quarter under review, which was 4.2% lower compared to the same quarter last year of RM77.2 million. The Division recorded a lower profit before tax of RM7.4 million, a decrease of 42.2% as compared to the corresponding quarter last year. The decline in profit before tax is primarily due to expenses incurred on the annual and preventive maintenance of its Chlor Alkali plants in the quarter under review and compression of margin in the Polymer business.

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*).

Following the exit from the fertilizer business, the Division recorded lower revenue of RM16.4 million during the quarter under review. The Division currently focuses its activities on sales of existing inventories pursuant to the closure of one of its manufacturing plant. During the quarter under review, Fertilizers Division recorded loss of RM83.8 million compared to a loss of RM81.7 million during the same quarter last year. The loss recorded in the quarter was mainly due to operational losses incurred during the quarter. The Division also recorded a net loss of RM37.1 million in the current quarter, pursuant to the completion of disposal of Assets Held for Sale, namely the 2 subsidiaries in East Malaysia, certain trade marks and 2 parcels of land in Bintulu, Sarawak.



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Commentary for Cumulative Quarter ended 31 December 2016

Continuing operations

For the current period ended 31 December 2016, the Group recorded revenue of RM609.3 million, lower by 3.3% compared to the corresponding period last year. The Group's profit before tax for the current period under review, decreased to RM33.7 million from RM53.0 million (or by 36.3%) recorded in the same period last year.

Pharmaceuticals Division's revenue for the period was RM312.9 million, a decrease of 6.5% compared to the same period last year. The lower revenue for the period was largely contributed by lower demand from the ethical sector. The Division recorded profit before tax of RM31.5 million, a decrease of 34.2% as compared to the corresponding period last year. The lower profit recorded was mainly attributed by a decline in its margins due to the change sales mix between government and private sectors, increase in production costs impacted by foreign exchange and additional finance costs incurred during the period under review.

Chemicals Division recorded revenue of RM295.9 million during the period under review, which was 0.4% higher compared to the same period last year of RM294.8 million. The Division recorded a higher profit before tax of RM35.9 million, an increase of 14.9% as compared to the corresponding period last year. The growth in profit before tax is primarily due to improved margin on its chlor alkali products, and savings from its operational efficiency initiatives (including the closure of non-profitable business units) 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*).

Following the exit from the fertilizer business, the Division recorded lower revenue of RM145.9 million during the period under review. The Division currently focuses its activities on sales of existing inventories pursuant to the closure of one of its manufacturing plant. During the period under review, Fertilizers Division recorded loss before tax of RM100.9 million as compared to the loss of RM96.1 million for the same period last year, primarily due to **operational losses** and loss of RM37.1 million from disposal of Assets Held for Sale (namely the 2 subsidiaries in East Malaysia, certain trade marks and 2 parcels of land in Bintulu, Sarawak), cushioned by gain from disposal of properties in Medan of RM21.5 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 RM147.8 million was lower by 5.1% as compared to the immediate preceding quarter revenue of RM155.8 million. The lower revenue was mainly contributed by decline in revenue recorded in Pharmaceuticals Division. The Group's profit before tax of RM5.1 million for the current quarter was 42.7% lower as compared to the preceding quarter ended 30 September 2016 of RM8.9 million. Lower profits in both Pharmaceuticals and Chemicals Division for the quarter resulted in the Group recording a lower profit before tax for the quarter.



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

Discontinued operations

Following the exit from the fertilizer business, the Division recorded lower revenue of RM16.4 million during the quarter under review. The Division currently focuses its activities on sales of existing inventories pursuant to the closure of one of its manufacturing plant. Loss before tax for the quarter was RM83.8 million compared to loss before tax of RM29.6 million recorded in the immediate preceding quarter. Included in the current quarter results were 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 next financial year despite business momentum facing increasing challenges arising from the weakening of the Malaysian Ringgit. Persistent foreign exchange volatility and uncertainties in the economy may further put pressure on manufacturing margin.

Although the markets remain competitive, the Chemicals Division is expected to continue to perform positively. 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.

The Group is continuously consolidating its position to make steady progress in each of its core businesses. The decision to exit the Fertilisers business 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:

	Current Quarter	Current Period
	RM'000	RM'000
Taxation		
In respect of profit for the year	(7,298)	6,865
Transfer from deferred tax	13,969	8,188
	<u>6,671</u>	<u>15,053</u>
Tax expense on continuing operations	6,636	14,987
Tax expense on discontinued operations	35	66
	<u>6,671</u>	<u>15,053</u>


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

B6) (Loss)/Profit Before Tax

	Current Quarter	Current Period
	RM'000	RM'000
Operating profit is arrived at after charging / (crediting):		
Depreciation and amortization	15,686	50,659
Provision and write-off of receivables	6,488	5,347
Provision and write-off of inventories	15,446	34,942
Net foreign exchange loss	3,206	3,155
Interest expense	8,923	34,518
Interest income	(2,103)	(9,664)
Loss from disposal of asset held for sale	37,072	15,553

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

The Company and its wholly-owned subsidiary, CCM Agri-max Sdn Bhd had on 30 June 2016 entered into a conditional share sale agreement ("SSA") with Hextar Fertilizers Group Sdn Bhd for a proposed disposal of their collective 100% equity interests in both CCM Agriculture Sdn Bhd and CCM Agriculture (Sabah) Sdn Bhd as well as for the proposed disposal by the Company of its Cock's Head Brand Trade Marks. The Company also had, on even date, entered into a conditional sale and purchase agreement with Hextar Synergy Sdn Bhd for a proposed disposal of two parcels of land at Bintulu, Sarawak ("Bintulu Property").

As stated in the SSA, the balance of Sale Consideration of the Sale Shares payable by the Purchaser on the completion date shall be subject to adjustments based on the total of the current assets accounts namely "Trade Receivables", "Inventories" (which are housed in the internal warehouse) and "Cash and Cash Equivalents" of CCMAG and CCMAGS as at 31 August 2016. Accordingly, the parties to the agreement have collectively agreed to revise the Sale Consideration of the Sale Shares from RM48,550,000 to RM40,833,000 in accordance with the provisions of the SSA. The Sale Consideration of the Bintulu Property remains the same at RM35,000,000.

The proposals were completed on 15 November 2016.

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



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B8) Group Borrowings and Debt Securities

	31 December 2016 RM'000	31 December 2015 RM'000
<u>Continuing operations</u>		
Short term borrowings		
Unsecured		
Ringgit Malaysia denominated	62,885	167,759
US Dollar denominated	6,498	-
Philippines Peso denominated	-	10,958
	<u>69,383</u>	<u>178,717</u>
Long term borrowings		
Unsecured		
Ringgit Malaysia denominated	552,368	454,379
	<u>621,751</u>	<u>633,096</u>
<u>Discontinued operations</u>		
Short term borrowings		
Unsecured		
Ringgit Malaysia denominated	-	70,730
	<u>-</u>	<u>70,730</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

	Individual 4th Quarter		Cumulative 4th Quarter	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	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	(4,444)	(2,849)	9,113	19,785
- from discontinued operations	(63,409)	(70,537)	(73,909)	(82,261)
	<u>(67,853)</u>	<u>(73,386)</u>	<u>(64,796)</u>	<u>(62,476)</u>
Issued ordinary shares at beginning of the quarter/year ('000)	457,630	457,630	457,630	457,630
Effects of treasury shares issued ('000)	<u>(2,998)</u>	<u>(2,998)</u>	<u>(2,998)</u>	<u>(2,998)</u>
Weighted average number of ordinary shares ('000) at ending of the quarter/year	<u>454,632</u>	<u>454,632</u>	<u>454,632</u>	<u>454,632</u>
Basic earnings per share (sen)				
- from continuing operations	(0.98)	(0.63)	2.00	4.35
- from discontinued operations	<u>(13.95)</u>	<u>(15.52)</u>	<u>(16.26)</u>	<u>(18.09)</u>
	<u>(14.93)</u>	<u>(16.15)</u>	<u>(14.26)</u>	<u>(13.74)</u>

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

B11) Dividend

No dividend is proposed for the current quarter under review.



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B12) Economic Profit (“EP”) Statement

	Individual 4th Quarter		Cumulative 4th Quarter	
	31 December		31 December	
<u>Net operating profit after tax</u>				
<u>computation:</u>	2016	2015	2016	2015
<i>In millions of RM</i>				
Earnings before interest and tax	12.4	19.7	55.2	68.1
Adjusted tax	(3.1)	(4.9)	(13.8)	(17.0)
NOPAT	9.3	14.8	41.4	51.1
<u>Economic charge computation:</u>				
Average invested capital	1,176.1	1,277.2	1,176.1	1,277.2
Weighted average cost of capital	6.66%	6.58%	6.66%	6.58%
Economic charge	19.6	21.0	78.3	84.0
Economic (loss)/ profit	(10.3)	(6.2)	(36.9)	(32.9)

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

	31 December	31 December
	2016	2015
	RM'000	RM'000
Total retained earnings		
- Realised	67,404	146,476
- Unrealised	29,858	38,314
	97,262	184,790



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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 27 February 2017.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)
Company Secretary
27 February 2017



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