

**APPENDIX IV – UNAUDITED ACCOUNTS OF CCM FOR THE 9 MONTHS ENDED 30  
SEPTEMBER 2002**



**CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)**  
(Incorporated in Malaysia)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2002**

The Group's unaudited results for the financial quarter and nine months ended 30 September 2002 are summarised as below:

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	QUARTER 3		CUMULATIVE 9 MONTHS	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
1 Revenue	138,045	139,712	389,248	388,902
2 Operating profit	5,560	7,704	56,927	23,323
3 Interest income	496	345	1,121	1,460
4 Interest expense	(2,165)	(3,042)	(6,474)	(8,691)
	<b>3,891</b>	5,007	<b>51,574</b>	16,092
5 Share of losses of associates	(27)	(25)	(8)	(110)
6 Profit before tax	<b>3,864</b>	4,982	<b>51,566</b>	15,982
7 Tax	(733)	(2,941)	(4,488)	(7,411)
8 Profit after tax	<b>3,131</b>	2,041	<b>47,078</b>	8,571
9 Minority shareholders' interests	(790)	546	(1,806)	1,134
10 Net profit	<b>2,341</b>	2,587	<b>45,272</b>	9,705
11 Basic earnings per share (sen)	<b>0.66</b>	0.73	<b>12.85</b>	2.75
12 Diluted earnings per share (sen)	N/A*	N/A	<b>11.33</b>	N/A

\* Diluted earnings per share is not calculated as the effect is anti dilutive.

## CONDENSED CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) AS AT 30.09.02 RM'000	(AUDITED) AS AT 31.12.01 RM'000
1 Property, plant and equipment	415,962	431,596
2 Investment in Associated Companies	1,775	1,854
3 Long Term Investments	98,517	117,752
4 Research and Development Expenditure	6,798	6,798
5 Current Assets		
Inventories	103,219	108,041
Trade Receivables	113,067	99,983
Other Receivables	23,635	32,133
Cash and Bank Balances	69,548	48,396
	<u>309,469</u>	<u>288,553</u>
6 Current Liabilities		
Trade Payables	64,827	62,230
Other Payables	25,685	26,339
Short Term Borrowings	71,598	50,832
Loans	81,972	66,033
Hire Purchase Creditor	196	50
Taxation	3,597	7,024
	<u>247,875</u>	<u>212,508</u>
7 Net Current Assets	61,594	76,045
Net Assets Employed	<u>584,646</u>	<u>634,045</u>
8 Shareholders' Funds		
Share Capital	356,265	356,265
Treasury Shares	(8,668)	(8,668)
Revaluation Reserve	64,331	66,212
Foreign Translation Reserve	(163)	(291)
Capital Redemption Reserve	73	73
Other Capital Reserves	2,982	2,982
Revenue Reserves	79,003	55,435
	<u>493,823</u>	<u>472,008</u>
9 Minority Interests	43,473	43,269
10 Long Term Borrowings		
Loans	35,175	98,231
Hire Purchase Creditor	502	237
11 Deferred Liabilities	11,673	20,300
	<u>584,646</u>	<u>634,045</u>
12 Net tangible assets per share (sen)	142	134

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Figures in RM'000)

	Share Capital	Share Premium	Non - Distributable Capital Redemption Reserve	Revaluation Reserve	Other Capital Reserve	Foreign Translation Reserve	Distributable Profits Retained	Total
Balance at 1 January 2002	356,265	-	73	66,212	2,982	(291)	55,435	480,676
Surplus from sale of treasury shares								-
Surplus/(Deficit) on revaluation of properties				(1,881)			1,881	-
Currency translation differences						128		128
Net gains and losses not recognised in the income statement	-	-	-	(1,881)	-	128	1,881	128
Net profit/(loss) for the period							45,272	45,272
Dividends							(23,585)	(23,585)
Balance at 30 September 2002	356,265	-	73	64,331	2,982	(163)	79,003	502,491

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

(Figures in RM'000)

	<b>9 months to 30 Sept 2002</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit before tax	51,566
Adjustments	(25,512)
	<hr/>
Operating profit before working capital changes	26,054
(Increase)/Decrease in working capital	2,178
	<hr/>
Cash generated from operations	28,232
Receipt/(Payment) for retirement benefits	(660)
Tax paid	(7,971)
	<hr/>
Net cash generated from operating activities	19,601
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net cash generated from/(used in) investing activities	55,740
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net cash generated (used in)/from financing activities	(54,189)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>21,152</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>48,396</b>
	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>69,548</b>
	<hr/> <hr/>

Notes :

**1 Basis of preparation**

The financial statements of the Group are prepared using the same accounting policies, methods of computation and basis of consolidation as those used in the preparation of the most recent annual financial statements.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2001.

**2 Disclosure of audit report qualification**

This is not applicable as the audit report issued for the preceding annual financial statements was unqualified.

**3 Explanatory comments about the seasonality or cyclicity of interim operations**

Sales of the Fertilizers division are largely dependent on weather conditions and price of crude palm oil while sales of the Chemicals division are normally lower during festive months.

**4 Changes in prior estimates of amounts which materially affects the current interim period**

There were no material changes in the prior estimates which would materially affect the current interim period.

**5 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period.

**6 Dividends paid**

The following dividends have been paid in the current financial period:

- a) Final dividend relating to financial year 2001 of 6.3 sen per share, less tax
- b) Interim dividend for the current financial year of 3.0 sen per share, less tax.

**7 Segment information**

	Segment Revenue (RM'000)	Segment Profit before tax (RM'000)
Fertilizers	155,540	7,442
Chemicals	171,103	2,130
Healthcare	81,811	24
Others	4,315	46,325 <sup>#</sup>
	412,769	55,921
Inter-segment elimination	(23,521)	(4,355)
	389,248	51,566
Unallocated expenses	-	-
	389,248	51,566

# Profit before tax includes RM 43.1 million from the sale of quoted investments.

**8 Property, plant and equipment**

The valuations of land and buildings have been brought forward, without amendment from the previous annual financial statements.

**9 Material events subsequent to the end of the interim period**

i) On 10 October 2002, the Company obtained the approval of the Securities Commission for the following proposals:

a) Proposed issue of RM 200 million nominal amount 7-year 3% per annum fixed rate bonds with up to 115,765,192 detachable warrants at 100% of the nominal amount of the bonds to the co-primary subscribers structured on a "bought deal" basis.

b) Proposed offer for sale by AmMerchant Bank Berhad as the primary subscriber of the provisional rights to allotment of up to 115,765,192 warrants in the Company to the shareholders at a price to be determined later on a renounceable basis of one (1) warrant for every (4) existing ordinary shares held at a date to be determined.

ii) On 24 October 2002, the Company obtained the approval of the Securities Commission for its proposal to establish an employee share option scheme ("ESOS") of up to 5% of the issued and paid up share capital of the Company.

**10 Effect of changes in the composition of the enterprise**

There were no changes in the composition of the Group for the current financial year to date.

**11 Changes in contingent liabilities or assets since the last annual balance sheet date**

Loan guarantee given to a subsidiary has been reduced from RM53,200,000 as at 31 December 2001 to RM16,340,000 as at 30 September 2002.

**12 Commitments for the purchase of property, plant and equipment**

Commitments as at 30 September 2002 are as follows:

	RM'000
Approved and contracted for	6,444
Approved but not contracted for	5,024
	11,468

**13 Related party transactions**

	RM'000
Sale of products to an associate, Usaha Kimia (Malaysia) Sdn Bhd	3,766

**14 Taxation**

Taxation charge of the Group for the current quarter and financial year-to-date was as follows:

	Quarter 3, 2002 RM'000	Year-To-Date 2002 RM'000
Taxation		
In respect of profit for the year	514	9,243
Under/(Over) provision in respect of previous years		
Deferred Taxation		
Reversal for the year		
Under/(Over) provision in respect of previous years	219	(4,887)
Real Property Gain Tax	-	132
	733	4,488

The lower effective tax rate compared to the statutory rate is mainly due to gain on disposal of investment which is not taxable. The increase in the effective tax rate in the current quarter compared to the previous quarter is due to the reduction in the profits from the sale of investments.

**15 Profit on Sale of Unquoted Investments and/or Properties**

Profit on sale of unquoted investments and/or properties are as follows:

	Quarter 3, 2002 RM'000	Year-To-Date 2002 RM'000
Profit on sale of unquoted investments	-	-
Profit on sale of properties	-	538
	-	538

**16 Quoted Securities**

a) Total purchases and disposals of quoted securities were as follows:

	Quarter 3, 2002 RM'000	Year-To-Date 2002 RM'000
Total Purchases	-	-
Total Sale Proceeds	786	62,659
Total Profit on Disposal	100	43,125

b) Investments in quoted shares as at 30 September 2002 were as follows:

	RM'000
At Cost	98,517
Provision for diminution in value	
At Book Value	<u>98,517</u>
Market Value	<u>146,151</u>

**17 Status of corporate proposals that have been announced by the Company but not completed as at the date of this announcement**

i) On 17 September 2002 and 31 October 2002, the Company has announced the following proposals:

a) Proposed issue of RM 200 million nominal amount 7-year 3% per annum fixed rate bonds with up to 115,765,192 detachable warrants at 100% of the nominal amount of the bonds to the co-primary subscribers structured on a "bought deal" basis.

b) Proposed offer for sale by AmMerchant Bank Berhad as the primary subscriber of the provisional rights to allotment of up to 115,765,192 warrants in the Company to the shareholders at a price to be determined later on a renounceable basis of one (1) warrant for every (4) existing ordinary shares held at a date to be determined.

The proposals were approved by the Securities Commission on 10 October 2002.

ii) The Company has on 11 September 2002 announced that it has proposed to establish an employee share option scheme ("ESOS") of up to 5% of the issued and paid up share capital of the Company.

The proposal was approved by the Securities Commission on 24 October 2002.

#### 18 Group Borrowings and Debt Securities

The Group borrowings as at 30 September 2002 were as follows:

	RM'000
<b>Short Term Bank Borrowings (unsecured)</b>	
Bank overdraft	42,460
Bankers acceptance	27,904
Revolving credit	1,234
	<u>71,598</u>
	<u>71,598</u>
	RM'000
<b>Loans</b>	
Repayable within 12 months	
Unsecured term loans in US Dollars	16,340
Secured term loans in Ringgit Malaysia	892
Unsecured term loans in Ringgit Malaysia	64,740
	<u>81,972</u>
	<u>81,972</u>
Repayable after 12 months	
Unsecured term loans in Ringgit Malaysia	17,620
Secured term loans in Ringgit Malaysia	17,555
	<u>35,175</u>
	<u>35,175</u>

#### 19 Off Balance Sheet Financial Instruments

The Group did not have any financial instruments with off balance sheet risk as at 5 November 2002, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

**20 Changes in material litigation since the last annual balance sheet date**

The Group is not engaged in any material litigation as at 5 November 2002, the latest practical date which is not earlier than 7 days from the date of this quarterly report.

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

Revenue for Quarter 3, 2002 increased by 5% compared to Quarter 2, 2002 due to an improvement in all business sectors. However, operating profit was 87% lower than the preceding quarter as profits from the sale of investments in the quarter was RM0.1 million compared to RM43.1 million in the preceding quarter.

**22 Review of Performance of the Company and its Principal Subsidiaries**

Profit before tax for the quarter was 22% lower compared to the corresponding quarter in 2001. This was mainly due to the poor performance of the Chemicals division arising from low world Caustic Soda prices. However, overall Profit before tax for the first 9 months of the year at RM 51.6 million was 223% higher than that achieved in the corresponding period last year due to the increase in the profit from the sale of investments.

**23 Prospects for the remaining period to the end of the financial year**

Overall, the Group's profits are expected to be similar to the current quarter.

**24 Variance of Actual Profit from Forecast Profit**

This is not applicable as no profit forecast was published.

**25 Dividend**

No dividend was declared for the current quarter.

**26 Earnings per share**

	Quarter 3 2002	Year-To-Date 2002
Basic Earnings Per Share:-		
Profit after tax and minority shareholders' interests	2,341	45,272
Issued ordinary shares at beginning of the year ('000)	352,237	352,237
Effects of shares purchased ('000)	-	-
Weighted average number of shares ('000)	352,237	352,237
Basic earnings per share (sen)	0.66	12.85
Diluted Earnings Per Share:-		
Profit after tax and minority shareholders' interests	2,341	45,272
After tax effect of notional interest savings (RM'000)	1,566	4,698
Adjusted profit after tax and minority shareholders' interests (RM'000)	3,907	49,970
Weighted average number of ordinary shares ('000)	352,237	352,237
Effect of warrants ('000)	88,982	88,982
Weighted average number of ordinary shares - diluted ('000)	441,219	441,219
Diluted earnings per share (sen)	0.89	11.33

By Order of the Board  
**E YAGAMBARAM**  
 Company Secretary  
 7 November 2002

**APPENDIX V – PROFORMA CONSOLIDATED BALANCE SHEET OF CCM AS AT 30 JUNE 2002 TOGETHER WITH THE NOTES AND THE AUDITORS' LETTER THEREON**



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Chartered Accountants  
Wisma KPMG  
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The Board of Directors  
Chemical Company of Malaysia Berhad  
9<sup>th</sup> Floor, Wisma Sime Darby  
14, Jalan Raja Laut  
50350 Kuala Lumpur

Our ref A5/HLLS/CBH/LEE

13 January 2003

Dear Sirs

**REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS OF CHEMICAL COMPANY OF MALAYSIA BERHAD AND ITS SUBSIDIARIES**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Chemical Company of Malaysia Berhad ("CCM") and its subsidiaries ("the Group"), for which the Directors are solely responsible, as at 30 June 2002, together with the notes set out in Appendix I of this letter.

This letter is prepared for the purpose of inclusion in the Abridged Prospectus in connection with the Offer For Sale by AmMerchant Bank Berhad of the provisional rights to allotment of 88,040,592 warrants in CCM to the shareholders of CCM on a renounceable basis of one (1) Warrant for every four (4) existing ordinary shares held at an offer price of RM0.4522 per Warrant.

In our opinion, the Proforma Consolidated Balance Sheets as set out in Appendix I which have been prepared for illustrative purposes only, have been properly prepared on a basis consistent with the accounting policies normally adopted by the Group and the accompanying notes as set out in Appendix I.

Yours faithfully

**KPMG**  
Chartered Accountants



KPMG, a partnership established under Malaysian law, is a member of KPMG network, a Swiss association.

**CHEMICAL COMPANY OF MALAYSIA BERHAD  
AND ITS SUBSIDIARIES**

**PROFORMA CONSOLIDATED BALANCE SHEETS  
AS AT 30 JUNE 2002**

All treasury shares held by the Company remained unchanged up to the Book Closure Date (date at which shareholders must be registered in the Record of Depositors of the Company in order to participate in the Offer For Sale).

(a) Stage 1 - After taking into consideration the following:-

- (i) receipt of the gross proceeds from the issuance of RM200 million nominal amount 7-year 3% Fixed Rate Bonds with 88,040,592 detachable warrants at 100% of the nominal amount of the bonds to the co-primary subscribers structured on a "bought deal" basis ("Bonds issue"); and
- (ii) utilisation of the gross proceeds from the proposed Bonds and Warrants issuance amounting to RM200 million in the manner set out below:-

	RM'000
Rationalisation of the pharmaceutical manufacturing operations	70,000
Refinancing of existing term loans	82,360
Working capital requirements of the CCM Group	47,640
	200,000
	200,000

(b) Stage 2 - After Stage 1 and assuming the full exercise of new warrants and redemption of the bonds. The number of warrants to be issued is on a one-for-four basis amounting to 88,040,592 (based on share capital at Book Closure Date less 4,028,000 treasury shares held by the Company) and the exercise price is at RM1.36.

**CHEMICAL COMPANY OF MALAYSIA BERHAD  
AND ITS SUBSIDIARIES**

**PROFORMA CONSOLIDATED BALANCE SHEETS**

	Note	Audited as at 30.6.2002 RM'000	Proforma after Stage 1 RM'000	Proforma after Stage 2 RM'000
Property, plant and equipment	4	418,774	488,774	488,774
Associates		1,873	1,873	1,873
Investments		98,904	98,904	98,904
Research and development		6,798	6,798	6,798
<b>Current assets</b>				
Inventories		103,010	103,010	103,010
Trade and other receivables		131,507	131,507	131,507
Cash and bank balances	5	96,058	141,698	61,434
		330,575	376,215	295,951
<b>Current liabilities</b>				
Trade and other payables		89,540	89,540	89,540
Short-term borrowings		48,338	48,338	48,338
Loans	6	121,042	59,582	59,582
Hire purchase creditors		52	52	52
Taxation		5,654	5,654	5,654
		264,626	203,166	203,166
Net current assets		65,949	173,049	92,785
		592,298	769,398	689,134
<b>Finance by:-</b>				
Share capital	7	356,265	356,265	444,306
Share premium	8	-	-	31,695
Treasury shares		(8,668)	(8,668)	(8,668)
Reserves	9	151,520	149,520	149,520
Shareholders' funds		499,117	497,117	616,853
Minority interest		42,655	42,655	42,655
<b>Long-term and deferred liabilities</b>				
Loans	10	38,685	217,785	17,785
Hire purchase creditors		213	213	213
Deferred taxation		11,628	11,628	11,628
		50,526	229,626	29,626
		592,298	769,398	689,134
Net tangible assets per share (RM)		1.40	1.39	1.39

**CHEMICAL COMPANY OF MALAYSIA BERHAD  
AND ITS SUBSIDIARIES**

**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS  
AS AT 30 JUNE 2002**

1. The Proforma Consolidated Balance Sheets of the Group have been prepared based on the consolidated audited financial statements of Chemical Company of Malaysia Berhad as at 30 June 2002.
2. The Proforma Consolidated Balance Sheets of the Group have been prepared using accounting principles and bases consistent with those normally adopted in the preparation of audited financial statements.
3. The Proforma Consolidated Balance Sheets are for illustrative purposes only and incorporates the transactions under the scenario as explained in Appendix I-1 as though they were effected on 30 June 2002.

4. Movement in property, plant and equipment: -	RM'000
Audited balance at 30 June 2002	418,774
Addition under the rationalisation of pharmaceutical manufacturing operations	70,000
Balance after Stage 1 and Stage 2	<u>488,774</u>
5. Movement in cash and bank balances:-	RM'000
Audited balance at 30 June 2002	96,058
Proceeds from Bonds issue	200,000
Less: Rationalisation of pharmaceutical manufacturing operations	(70,000)
Refinancing of existing term loans	(82,360)
Estimated incidental expenses	(2,000)
Balance after Stage 1	<u>141,698</u>
Conversion of 88,040,592 warrants on a one-for-four basis at the exercise price of RM1.36	119,736
Less: Redemption of Bonds	(200,000)
Balance after Stage 2	<u>61,434</u>

## 6. Movement in current loans:-

	RM'000
Audited balance at 30 June 2002	121,042
Less: Refinancing of existing term loans	(61,460)
	-----
Balance after Stage 1 and Stage 2	59,582
	=====

## 7. Movement in share capital:-

	RM'000
Audited balance at 30 June 2002 and after Stage 1 - Balance at Book Closure Date	356,265
Full exercise of new warrants (based on share capital less 4,103,000 * treasury shares held by the Company at Book Closure Date)	88,041
	-----
Balance after Stage 2	444,306
	=====

\* Subsequent to 30 June 2002, the Company has acquired additional 75,000 treasury shares, resulting to the total treasury shares of 4,103,000 at Book Closure Date.

## 8. Movement in share premium:-

	RM'000
Audited balance at 30 June 2002 and after Stage 1 - Balance at Book Closure Date	-
Increase from exercise of new warrants (based on share capital less 4,103,000 treasury shares held by the Company at Book Closure Date)	31,695 **
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Balance after Stage 2	31,695
	=====

\*\* Based on the exercise price of RM1.36 per Warrant representing a discount of 9.48% over the 5-day weighted average market price of CCM shares up to 21 November 2002 of RM1.5024.

## 9. Movement in reserves:-

	RM'000
Audited balance at 30 June 2002	151,520
Less: Estimated incidental expenses	(2,000) ***
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	149,520
	=====

\*\*\* Estimated incidental expenses of RM2 million is in relation to the Fund Raising Exercise including the relevant professional fees, advertising and printing cost and fees payable to authorities.

## 10. Movement in long-term loans:-

	RM'000
Audited balance at 30 June 2002	38,685
Bonds issue	200,000
Less: Refinancing of existing term loans	(20,900)
	-----
Balance after Stage 1	217,785
Less: Redemption of Bonds	(200,000)
	-----
Balance after Stage 2	17,785
	=====

**APPENDIX VI – DIRECTORS' REPORT**



**CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)**

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Malaysia

Telephone 03-26123888  
Fax 03-26919901

13 January 2003

**The Shareholders of Chemical Company of Malaysia Berhad ("CCM" or "Company")**

**Dear Sir/ Madam,**

On behalf of the Board of Directors of CCM, I report that, after making due enquiries in relation to the interval between 30 June 2002, being the date to which the last audited accounts of the Company have been made up and 13 January 2003, being a date not earlier than fourteen (14) days before the issue of this Abridged Prospectus :-

- i) the business of the Company and its subsidiary companies have, in the opinion of the Directors, been satisfactorily maintained;
- ii) in the opinion of the Board of Directors, no circumstances have arisen since the last audited accounts of the Company which have affected adversely the trading or the value of the assets of the Company or any of its subsidiary companies;
- iii) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- iv) save as disclosed in Section 10 of this Abridged Prospectus, no contingent liabilities have arisen by reason of any guarantees given by the Company and its subsidiary companies; and
- v) save as illustrated in the proforma consolidated balance sheets of CCM as at 30 June 2002 set out in Appendix V and the unaudited consolidated balance sheets as at 30 September 2002 set out in Appendix IV of this Abridged Prospectus, there has been no change to the published reserves or any unusual factors affecting the profit of the Company and its subsidiary companies since the last audited accounts as at 30 June 2002 and the unaudited accounts as at 30 September 2002..

Yours faithfully  
For and on behalf of the Board of Directors  
**Chemical Company of Malaysia Berhad**

**DATO' LIM SAY CHONG**  
Managing Director



*Decade 1990-2000  
Of Excellence*

**RATING AGENCY MALAYSIA BERHAD**

(Co. No. 208095-U)

**CONFIDENTIAL**

Our Ref: 1662/RAM/02

31 October 2002

Mr Oh Kim Sun  
Executive Director  
Chemical Company of Malaysia  
9<sup>th</sup> Floor, Wisma Sime Darby  
14 Jalan Raja Laut  
50350 Kuala Lumpur.

Dear Mr Oh

**INITIAL RATING OF THE PROPOSED RM200,000,000 FIXED RATE BONDS WITH UP TO 115,765,192 DETACHABLE WARRANTS (2002/2009) TO BE ISSUED BY CHEMICAL COMPANY OF MALAYSIA BERHAD (“CCM”)**

We refer to the rating of the above debt securities issue

2. After consideration of all the issues, the Rating Committee has assigned long-term rating of AA<sub>3</sub> for CCM’s proposed RM200 Million Fixed Rate Bonds with up to 115,765,192 detachable Warrants (2002/2009) (“Bonds”).
3. The rating indicate high safety of timely payment of interest and principal on the Bonds. The basis for assigning the rating will be forwarded to you in due course.
4. Since the proposed Bonds is still pending approval from the relevant authorities, we would appreciate if you could write and inform us immediately upon receiving approval from the said authorities.
5. We would appreciate if you could forward us the relevant documentation pertaining to the proposed Bonds such as the debt facility agreement as well as the trust deed upon finalisation of the same.
6. Please note that RAM reserves the first right to publicly disseminate the basis for assigning the rating. Under no circumstances should you or your financial advisers announce the rating assigned to the public until RAM has sighted the relevant documentation pertaining to the proposed Bonds.

7. RAM would also keep the rating under surveillance over the life of the Bonds. In this regard, you are requested to provide us with information from time to time. The nature and frequency of information to be submitted will be communicated to you in due course. RAM reserves the right to revise, suspend or withdraw the rating at any time as circumstances warrant. In the event of any revision, suspension or withdrawal of the rating, RAM reserves the right to publicly disseminate the basis for such actions without your prior approval or consent.
8. We request that you inform us in writing confirming your acceptance and use of the rating at the earliest moment possible.
9. Should you require any further clarification, please do not hesitate to contact us.

Thank you.

Yours sincerely,



**WONG FOOK WAH**  
(Executive Director)

**RATING AGENCY MALAYSIA BERHAD**

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**APPENDIX VIII – FURTHER STATUTORY AND GENERAL INFORMATION**

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**1. Share Capital**

- i) No Shares or Warrants will be allotted on the basis of this Abridged Prospectus later than twelve (12) months after the date of the issue of this Abridged Prospectus.
- ii) There are no founder, management or deferred shares. There is only one class of shares in the Company, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another.
- iii) As at the date of this Abridged Prospectus, save as disclosed below, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of the Company.
  - a) The 88,982,134 Outstanding Warrants 1996/2006 issued by CCM as defined under “Outstanding Warrants”;
  - b) ESOS options of up to 17,813,268 issued / to be issued to the employees of CCM; and
  - c) The Warrants to be issued / offered pursuant to the Fund Raising Exercise, the principal terms of which are set out in Section 3.1 of this Abridged Prospectus.
- iv) Save as disclosed in Appendix II of this Abridged Prospectus, no shares or debentures in the Company have been issued or are proposed to be issued as partly or fully paid-up for cash or otherwise than in cash within the two (2) years preceding the date hereof.

**2. Nature of Business**

The nature of the Company’s business and names of the corporations which are by virtue of Section 6 of the Act are deemed to be related to the Company are set out in Appendix II of this Abridged Prospectus.

**3. Directors**

- (i) The names, addresses and occupations of the Directors are as set out under the section on Corporate Information on page 1 of this Abridged Prospectus.
- (ii) There is no shareholding qualification for Directors.
- (iii) None of the Directors of the Company have any existing or proposed service contracts with CCM or any of its subsidiary companies excluding contracts expiring or terminable by the employing company without payments or compensation (other than statutory compensation) within one (1) year.
- (iv) The provisions in the Company's Articles of Association in relation to the remuneration of the Directors are as follows :-

***Article 66 - Remuneration of Directors***

The ordinary remuneration of the Directors shall be such fixed sum (not being a commission on or percentage of profits or of turnover) as shall from time to time be determined by an Ordinary Resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. The remuneration of the Directors shall not be increased except at a General Meeting convened by a notice specifying the intention to propose such increase.

***Article 68 – Expenses***

The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors, or of any committee of the Directors, or General Meetings, or otherwise in or about the business of the Company.

***Article 69 - Extra remuneration***

Any Director who is appointed to any executive office including the office of Chairman or who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary percentage of profits or otherwise as the Directors may determine but not a commission on or percentage of turnover.

***Article 70 - Pensions for Directors***

The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to or to any person in respect of any Director or ex-Director who may hold or have held any executive office or any office of profit under the Company or any subsidiary company and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

***Article 134 - Indemnity of Directors and officers***

Subject to the provisions of the Act, every Director, alternate Director, Secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto.

#### 4. Material Contracts and Commitments for Capital Expenditure

Save as disclosed below, there are no other material contracts entered into by the CCM Group during the two (2) years preceding the date of this Abridged Prospectus, other than contracts entered into in the ordinary course of business: -

- (i) Sale and Purchase Agreement ("SPA") dated 19 April 2001 made between CCM and Success Profile Sdn Bhd ("SPSB") whereby SPSB is to purchase from CCM 100% equity interest in Danau Insas Sdn Bhd ("DISB") for a cash consideration of RM3.2 million and upon other terms and conditions therein. On 12 November 2001, a Supplemental Agreement was entered into between the parties to vary certain terms in the SPA. By a Deed of Novation dated 26 December 2002 entered into between Sucho Asia Trading Sdn Bhd, Prestige Potential Sdn Bhd ("the Purchaser"), Saporiti Resources Trading Sdn Bhd ("Saporiti"), CCM and Success Profile Sdn Bhd ("the First Purchaser"), the parties agreed to a novation by the First Purchaser to the Purchasers of all the rights, title, interests and benefits, obligations and liabilities of the First Purchaser under the sale and purchase agreements between CCM and the First Purchaser (including under the supplemental agreement and letters between CCM and the First Purchaser).
- (ii) Sale and Purchase Agreement dated June 4, 2002 between Promedipharm Sdn Bhd ("Vendor") and UPHA Pharmaceutical Manufacturing (M) Sdn Bhd ("Purchaser") for the sale and purchase of the leasehold land held under PT No: 11454 Sek 13, HS(M) 9623, Mukim Kajang, District of Ulu Langat, State of Selangor, measuring in area approximately 2.456 acres hectares, together with a factory building erected thereon and bearing postal address Lot 1, Jalan P/6, Seksyen 13, Kawasan Perindustrian Bangi, 43650 Bangi, Selangor, Malaysia, at the price of RM4,337,000.00. The state authority has granted its approval for the sale and transfer of the land to the Purchaser. The transfer has been presented to the land office for registration.
- (iii) Agreement to Sub-Lease dated April 5, 2001 between Technology Park Malaysia Corporation Sdn Bhd ("TPM") and CCM Pharma Sdn Bhd, ("CCM Pharma") whereby TPM agreed to sub-lease to CCM Pharma the land known as Lot No 1, Phase 1, Technology Park Malaysia, having a total area of 1.85 acres or 80,856 sq. ft at the total rental of RM 3,223,440 for a term of 30 years from the Sub-Lease Commencement Date, being the date when vacant possession is delivered. Vacant possession has not yet been delivered, CCM Pharma intends to construct one or more buildings on the land for the purpose of its activities relating to pharmaceutical research and development and low volume manufacturing of innovative drug delivery dosage forms.
- (iv) Trust Deed dated 21 November 2002 between CCM and the Trustee governing the Bonds, wherein HSBC Trustee (Malaysia) Berhad is appointed to act as trustee for the Bond Holders.
- (v) Deed Poll dated 22 November 2002 executed by CCM governing the Warrants.
- (vi) Security Agency Agreement dated 21 November 2002 governing the relationship between CCM, the Trustee and AmMerchant Bank as the security agent.
- (vii) Assignment of Sinking Fund Account dated 21 November 2002 between CCM and AmMerchant Bank wherein CCM assigned its rights to the sinking fund account set-up pursuant to the Fund Raising Exercise to AmMerchant Bank (acting as security agent).

- (viii) Subscription Agreement dated 21 November 2002 between CCM, OCBC and AmMerchant Bank wherein the Co-Primary Subscribers has agreed to subscribe the entire issue of the Bonds while the Warrant Subscriber will subscribe the entire issue of the Warrants.
- (ix) Negative Pledge dated 21 November 2002 between CCM and AmMerchant Bank wherein CCM covenants that it will not create or permit to be created any other lien or encumbrances on its assets without the consent of AmMerchant Bank (the security agent).
- (x) Assignment of Debt Service Account dated 21 November 2002 between CCM and AmMerchant Bank wherein CCM assigned its rights to the debt service account set-up pursuant to the Fund Raising Exercise to AmMerchant Bank (acting as the security agent).
- (xi) Assignment of Disbursement Account dated 21 November 2002 between CCM and AmMerchant Bank wherein CCM assigned its rights to the disbursement account set-up pursuant to the Fund Raising Exercise to AmMerchant Bank (acting as the security agent).
- (xii) Depository and Paying Agency Agreement dated 2 December 2002 between, the Trustee, BNM and AmMerchant Bank wherein CCM appoints BNM and BNM accepts the appointment as the central depository and paying agent for the Bonds.
- (xiii) Underwriting Agreement dated 18 December 2002 between CCM and the Underwriters for the underwriting of the Warrants pursuant to the Fund Raising Exercise.

As at 7 January 2003, the Group has material commitments for capital expenditure of RM1,572,000 (contracted for) and RM3,998,000 (not contracted for), amounting to a total of RM5,570,000.

## 5. Material Litigations

Save as disclosed below, neither CCM nor its subsidiaries are engaged in any material litigation as plaintiff or defendant and the Directors of CCM have no knowledge of any proceedings pending or threatened against the CCM Group or of any other facts likely to give rise to any proceedings which may materially and adversely affect the position and business of CCM and/or its subsidiaries: -

- (i) ICI Fertilizers (M) Sdn Bhd (“ICI Fertilizers”) vs Kumpulan Serangkai Sdn Bhd

ICI Fertilizers (now known as CCM Fertilizers Sdn Bhd) (*a subsidiary of CCM*) is claiming payment for goods sold and delivered in the amount of RM1,294,142.02 against the defendant. The date of commencement of the suit was in 1991. A Judgment was entered against the defendant on 22 December 1992 and upon appeal by the defendants, was upheld by the Federal Court on 22 March 1995. However, enforcement of the Judgment was stayed pending the defendant’s counterclaim of RM2,315,155.00, which was dismissed by the Court on 14 June 2002. ICI Fertilizers is currently seeking enforcement of the judgment in their favour.

- (ii) Tenaga Kimia Berhad (previously known as Tenaga Kimia Sdn Bhd) vs Orica-CCM Energy Systems Sdn Bhd (“Orica-CCM”)

The plaintiff filed a claim for malicious falsehood premised on a letter written on 21 July 2000 by the then General Manager of Orica-CCM Systems Sdn Bhd (*an associate of CCM*) to the police on the importation of explosives. The date of commencement of the suit was on 7 March 2001. The plaintiff has applied for an interlocutory injunction and the Court had, on 8 July 2002 given directions for written submissions to be filed by both parties in respect of the said application. The Court, has on 18 September 2002, granted an interlocutory injunction against Orica-CCM with costs (to be in the cause). A notice for Pre Trial Case Management has been filed by the Plaintiff. At present, the claim is unliquidated. The solicitors for the case, Raja, Darryl & Loh is of the opinion that the claim is misconceived and defensible.

- (iii) CCM Fertilizers Sdn Bhd vs Narsco Trading & Supplies Sdn Bhd (“Narsco Trading”)

CCM Fertilizers Sdn Bhd has recently commenced a legal action against Narsco Trading for payment for goods sold and delivered in the sum of RM4,260,470.27 (together with interest at the rate of 8% per annum on the said sum from 6 September 2002 until the date of full realisation and costs). The date of commencement of the suit was on 26 September 2002. The Writ of Summons was served on the Defendant on 16 October 2002. The parties have recently reached an amicable settlement. The draft judgement has been forwarded to the solicitors for the Defendant and will be filed in Court shortly.

- (iv) Pengangkutan Linggapan (suing as a firm) vs CCM Fertilizers Sdn Bhd (CCM Fertilizers)

The Plaintiff filed a claim against CCM Fertilizers based on alleged breach of contract (contract for transportation and delivery of fertilizer). The date of commencement of the suit was on 3 October 2002. The Writ of Summons was served on 18th October 2002. Based on the Writ of Summons, the claim is for, amongst others, specific damages (in the amount of (a) RM75,000-00 a year commencing 28 January 1999 until the date of judgement and (b) RM30,000-00) and also general damages (to be assessed). CCM Fertilizers filed its Statement of Defence on 15 November 2002. The Executive Directors of CCM are of the opinion that the claim is misconceived and defensible.

## 6. Expenses

The estimated expenses of the Fund Raising Exercise is approximately RM2.0 million, all of which will be borne by the Company.

## 7. Consents

The Adviser, Offeror, Managing Underwriter, Underwriters, Co-Primary Subscribers, Company Secretary, Principal Bankers, Auditors and Reporting Accountants, Solicitors, Market Researcher, Trustee, Rating Agency and Registrar have given and have not subsequently withdrawn their written consents to the inclusion in this Abridged Prospectus of their names and/or letters and all references hereto in the form and context in which they appear.

**8. General**

The financial condition and operations of the CCM Group is not likely to be affected by any of the following:-

- (a) known trends or known demands, commitments, events or uncertainties that will result in or that is reasonably likely to result in the CCM Group's liquidity increasing or decreasing in any material way;
- (b) material commitments for capital expenditure;
- (c) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from the operations; and
- (d) known trends or uncertainties that have had or that the CCM Group reasonably expect will have a material favourable or unfavourable impact on revenues or operating income.

**9. Documents for Inspection**

Copies of the following documents are available for inspection during business hours on any weekday (except public holidays) at the Registered Office of the Company for a period of twelve (12) months from the date of the Abridged Prospectus :-

- (a) The Memorandum and Articles of Association of the Company;
- (b) The audited accounts of CCM and its subsidiaries for the past two (2) financial years ended 31 December 2001 and 6 months ended 30 June 2002 as well as the unaudited results of CCM for the 9 months ended 30 September 2002;
- (c) The proforma consolidated balance sheets of CCM Group as at 30 June 2002 and the Auditors' letter thereon;
- (d) Directors' Report as included in Appendix VI;
- (e) Deed Poll;
- (f) RAM's letter as included in Appendix VII;
- (g) The material contracts referred to in paragraph 4 above;
- (h) Letters of undertaking from Billion Victory Sdn Bhd and Tekun Sepadu Sdn Bhd to fully subscribe for their respective Warrants entitlements under the Offer for Sale;
- (i) Letters of consent as stated in paragraph 7 above;
- (j) Writ and relevant cause papers in respect of material litigations referred to in paragraph 5 above; and
- (k) Reports by Frost and Sullivan (M) Sdn Bhd.

**10. Responsibility Statement**

- (i) All documentation relating to this Offer For Sale has been seen and approved by the Board of Directors of the Company and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement in these documents misleading or incorrect.
  
- (ii) AmMerchant Bank as the Adviser and Offeror acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes full and true disclosure of all material facts concerning the Offer for Sale, the Company and its subsidiaries which have been stated by the Directors (for which the Directors are fully responsible) after due and careful enquiry.