



CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
(Incorporated in Malaysia)
For the Period Ended 30 September 2011

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 Bursa Malaysia Securities Berhad and FRS 134, *Interim Financial Reporting*.

The interim financial report has been prepared in accordance with the same accounting policies in the consolidated financial statement as at and for the year ended 31 December 2010.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2010 except for the mandatory adoption of the following new and revised Financial Reporting Standards ("FRS") and Issues Committee Interpretations ("IC Int.") effective for the financial period beginning 1 January 2011:

FRSs/ Interpretations

FRS 3	: Business Combinations (revised)
Amendments to FRS 2	: Share-based Payment
Amendments to FRS 2	: Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5	: Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 127	: Consolidated and Separate Financial Statements
Amendments to FRS 138	: Intangible Assets
Amendments to IC Int. 9	: Reassessment of Embedded Derivatives
Amendments to IC Int. 13	: Customer Loyalty Programmes
IC Int. 17	: Distributions of Non-cash Assets to Owners
IC Int. 4	: Determining Whether an Arrangement contains a lease
Amendments to FRS 132	: Classification of Rights Issues
Amendments to FRS 1	: limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters
Amendments to FRS 7	: Improving Disclosure about Financial Instruments
Amendments to FRSs	: Improvements to FRSs (2010)

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

A2) 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 2010 was not subject to any qualification.

A3) Explanatory comments about the seasonality or cyclical of operations

The Group's operations are not subject to any material seasonal or cyclical factor other than market fluctuations in selling prices and / or costs of raw materials arising from demand / supply disequilibrium.

A4) Unusual Items due to their Nature, Size or Incidence

There were no items 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 ended 30 September 2011.

A5) Changes in prior estimates of amounts which materially affect the current interim period

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

A6) Issuances, cancellations, repurchases resale and repayments of debt and equity securities

There was no issuance, repurchase of debt and equity securities during the quarter. The number of Treasury Shares held as at 30 September 2011 is 2,998,000.

A7) Dividends paid

Final dividends relating to the financial year ended 31 December 2010 of 2.65 sen per ordinary share, tax exempt dividend were paid in the current quarter totalling RM10.6 million on 22 July 2011.

A8) Segment reporting

<i>In thousands of RM</i> For the 9 months ended 30 September	Segment Revenue		Segment Profit before tax	
	2011	2010	2011	2010
Fertilizers	693,159	653,054	1,831	4,198
Chemicals	314,377	339,745	33,089	22,017
Pharmaceuticals	198,726	186,829	15,801	14,679
	1,206,262	1,179,628	50,721	40,894
Others* and inter-segment transaction	1,121	411	(2,933)	(646)
Group result	1,207,383	1,180,039	47,788	40,248

*Administrative and non-core activities (including intra-Group dividends)

A9) Property, plant and equipment

Land and buildings were stated based on professional valuations made in December 2010.

A10) Post balance sheet events

There are no material events after the period end that has not been reflected in the Interim Financial Reports for the financial period ended 30 September 2011.

A11) Effect of changes in the composition of the Group

There were no major changes in the composition of the Group for the current quarter.

A12) Changes in contingent liabilities or contingent assets since the last annual balance sheet date

There were no changes in contingent liabilities or assets as at end of the current interim financial period.

A13) Capital Commitments

Commitments for the purchase of property, plant and equipment as at 30 September 2011.

	At 30 September 2011	At 30 September 2010
	RM'000	RM'000
Approved but not contracted for	78,215	57,587
Contracted but not provided for	17,589	41,770
	<u>95,804</u>	<u>99,357</u>

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

B1) Review of Performance

Consolidated Group revenue for the third quarter ended 30 September 2011 has increased by RM5.9 million or 1.5% as compared to the corresponding quarter last year due to higher sales contributed from Pharmaceutical segment. However, consolidated Group profit before tax of RM12.9 mil for the current quarter is lower as compared to the same quarter last year of RM23.5 million. The decrease in profit before tax reported was primarily due to substantially lower profit contributed by Fertilizers segment.

Year to date, the Group total revenue of RM1,207.4 million has improved by 2.3% as compared to the same corresponding period last year. The increase was mainly due to higher sales in Fertilizers and Pharmaceuticals segments, which outweighed the lower sales in Chemicals segment. Consequently, the Group profit before tax of RM47.8 million out-performed the earnings for the same period last year by 18.7%, spurred mainly by better profit margin from Chemicals and Pharmaceuticals segments.

Turnover for the Fertilizers segment for the 9-months period ended 30 September 2011 was 6.1% higher compared to the same period last year due to higher sales volume. However, segment profit before tax contributed to a lower profit of RM1.8 million as compared to a profit of RM4.2 million reported in the same period last year due to the charging out of operating expense of new Lahad Datu plant which commenced operation in July 2011.

As for the Chemicals segment, current year to date revenue has declined by 7.5% while the segment profit before tax has contributed to better profitability of RM33.1 million as compared to RM22.0 million in the same period last year. The slight fall in the segment's turnover was partly due to the lower contribution from the performance and industrial chemicals, regional and water system businesses. However, the impact of higher price on segment's manufactured products managed to mitigate the slip in revenue and contributed to the higher profit before tax for the segments.

The Pharmaceuticals segment recorded a slight improvement of 6.4% in its turnover for the period under review compared to the same period last year. Correspondingly the profit before tax for the segment increased by 7.6% for the 9-months period due to slight improvements in profit margins from the local private market and export products.

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

Consolidated Group revenue was lower by RM21.1 million, representing a 5.1% decrease as compared to the preceding quarter due to lower contribution from the Fertilizers and Chemicals segments. The profit before tax decreased by 36.7% from RM20.3 million in the preceding quarter to RM12.9 million as a result of higher raw material cost and charging out of operating expense of new Lahad Datu plant which commenced operation in July 2011.

B3) Prospects for the remainder of current financial year

The global economy is expected to remain uncertain with events in Europe affecting both Greece and Italy dominating the business environment. The price of crude palm oil (CPO) is expected to trend upward due to an expected lower inventory level and bad weather conditions. On the other hand, both chlorine and caustic soda prices appear to be trending downwards.

Despite an upward trend in CPO prices, the wet weather condition in the fourth quarter is expected to slow down fertilizer application activities. In addition, the increase in raw material prices for potash, phosphate and nitrate are also expected to put greater pressure on the segment's gross margins.

In view of the downward trend in chlorine and caustic soda prices, the manufacturing activities of Chemicals segment is expected to face some price pressure. However the rubber polymer business is still stable and can offset the potential downside risks in other businesses under the Chemicals segment.

For Pharmaceuticals segment, the demand for the remainder of current financial year is expected to be stable.

The Group's performance for the financial year ending 31 December 2011 is expected to continue to be challenging.

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 30 September 2011 RM'000	Current Period 30 September 2011 RM'000
Taxation		
In respect of profit for the year	9,599	24,875
Transfer from deferred tax	(1,155)	(2,629)
	<u>8,444</u>	<u>22,246</u>

B6) Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments and/or properties for the quarter under review and financial period to date.

B7) Quoted Securities

There was no purchase or disposal of quoted securities for the quarter under review and financial period to date.

B8) Status of corporate proposals that have been announced by the Company but not completed as at the date of this announcement

There is no corporate proposal that has been announced by the Company but not completed as at the date of the quarter under review.

B9) Group Borrowings and Debt Securities

The Group borrowings as at 30 September 2011 were as follows:

	30 September 2011 RM'000	30 September 2010 RM'000
Short term borrowings		
Unsecured	<u>568,423</u>	<u>411,308</u>
Long term borrowings		
Unsecured	<u>329,769</u>	<u>468,350</u>

B10) Off Balance Sheet Financial Instruments

The Group did not have any financial instrument with off balance sheet risks as at the date of this report.

B11) Earnings per share

	Current Quarter 30 September 2011	Current Period 30 September 2011
a) Basic Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	16	12,813
Issued ordinary shares at beginning of the quarter/year ('000)	404,749	404,741
Effects of shares issued ('000)	-	8
Weighted average number of ordinary shares ('000) at ending of the quarter/year	404,749	404,749
Basic earnings per share (sen)	0.00	3.17
b) Diluted Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	16	12,813
Weighted average number of ordinary shares ('000) at ending of the quarter/year	404,749	404,749
Effects of warrants (B) ('000)	55,321	55,321
Weighted average number of ordinary shares – diluted ('000) at ending of the quarter/year	460,070	460,070
Diluted earnings per share (sen)	0.00	2.78

B12) Dividend

No dividend is proposed for the current quarter under review.

B13) Economic Profit (“EP”) Statement

<i>In thousands of RM</i>	Current Quarter 30 September		Current Period 30 September	
	2011	2010	2011	2010
<u>Net operating profit after tax (“NOPAT”) computation</u>				
Earnings before interest and tax	18.8	29.4	70.9	60.4
Adjusted tax	(4.7)	(7.4)	(17.7)	(15.1)
NOPAT	14.1	22.0	53.2	45.3
<u>Economic charge computation:</u>				
Average invested capital	1,529.4	1,576.2	1,529.4	1,576.2
Weighted average cost of capital %	5.63%	4.81%	5.63%	4.81%
Economic charge	17.5	19.0	52.6	56.9
Economic (loss)/profit	(3.4)	3.0	0.6	(11.6)

B13) Economic Profit (“EP”) Statement (Continued)

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.

B14) Material litigation

There was no pending material litigation as at the date of the report.

B15) Disclosure of Realised and Unrealised

	Current Quarter 30 September 2011 RM'000	Immediate Preceding Quarter 30 June 2011 RM'000
Total retained profits of CCM Berhad and its subsidiaries:		
- Realised	262,928	274,715
- Unrealised	10,529	9,372
Total	273,457	284,087

B16) 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 22 November 2011.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)
Company Secretary
22 November 2011