



CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
(Incorporated in Malaysia)
For the Period Ended 31 December 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.



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

A3) Explanatory comments about the seasonality or cyclicity 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 31 December 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 31 December 2011 is 2,998,000. During the quarter, share capital and share premium increased by RM7,000 and RM2,000 respectively due to the conversion of 7,000 warrants.

A7) Dividends paid

No dividend was paid in the current quarter under review.

A8) Segment reporting

<i>In thousands of RM</i> For the 12 months ended 31 December	Segment Revenue		Segment Profit before tax	
	2011	2010	2011	2010
Fertilizers	934,205	930,800	(9,981)	7,518
Chemicals	413,225	457,593	43,371	27,883
Pharmaceuticals	261,362	250,002	20,869	20,051
	<u>1,608,792</u>	<u>1,638,395</u>	<u>54,259</u>	<u>55,452</u>
Others* and inter-segment transaction	1,352	644	4,190	3,748
Group result	<u>1,610,144</u>	<u>1,639,039</u>	<u>58,449</u>	<u>59,200</u>

*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 31 December 2011.



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

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 31 December 2011.

	At 31 December 2011	At 31 December 2010
	RM'000	RM'000
Approved but not contracted for	32,014	31,027
Contracted but not provided for	25,887	53,909
	<u>57,901</u>	<u>84,936</u>



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

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

B1) Review of Performance

Consolidated Group revenue for the fourth quarter ended 31 December 2011 has decreased by RM56.2 million or 12.3% as compared with the corresponding quarter last year due to lower sales recorded from Fertilizers and Chemicals segments. Consolidated Group profit before tax of RM10.7 million for the current quarter is lower as compared with the same quarter last year of RM18.9 million. The decrease in profit before tax reported was primarily due to the loss recorded by Fertilizers segment in the current quarter. However, the loss had been offset by the gain on disposal from other investment of RM9.5 million as well as by the profit growth in Chemicals segment.

For the full year, the Group total revenue of RM1,610.1 million has decreased by 1.8% as compared with the same period last year largely because of the lower revenue registered in Chemicals segment but was made up by the higher sales recorded in Pharmaceuticals and Fertilizers segments. The Group profit before tax of RM58.4 million is lower by 1.3% for the same period last year primarily due to the loss recorded by Fertilizers segment.

Despite the decline in the Chemicals segment's revenue by 9.7% to RM413.2 million, segment profit before tax increased by 56.1% to RM43.4 million for the year under review as compared with the same period last year. The slight fall in revenue was partly due to the lower contribution from the trading, regional and water systems businesses. However, higher selling price for manufactured products mitigated the lower revenue and contributed to the higher profit before tax.

The Pharmaceuticals segment's revenue rose by 4.5% to RM261.3 million for the year under review as compared with the same period last year. The profit before tax of RM20.9 million increased by 4.1% for the same period due to slight improvements in profit margins from the local private market and exports.

Revenue for Fertilizers segment for the year ended 31 December 2011 was slightly higher by 0.4% or RM934.2 million as compared with the same period last year due to increase in sales volume. However, the segment recorded a loss before tax of RM9.9 million as compared with a profit of RM7.5 million reported in the same period last year due to charging out of operating expense of the new Lahad Datu plant which commenced operation in July 2011 and lower gross margin recorded as a result of higher raw material cost.

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

Consolidated Group revenue was lower by RM8.5 million, representing a 2.2% decrease as compared with the immediate preceding quarter due to lower contribution from the Pharmaceuticals segment. The profit before tax decreased by 17.2% from RM12.8 million in the preceding quarter to RM10.7 million due to lower profit margin recorded by Fertilizers segment as a result of higher raw material cost. However this was minimised by the gain on disposal from other investment of RM9.5 million.



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

B3) Prospects for the next financial year

The Malaysian economy is expected to expand albeit at a moderate pace in the first half of 2012. Growth in demand is expected to be contributed by private consumption and investment activities whereas the supply side will be contributed by the services and manufacturing sectors.

Chlorine and caustic soda prices appear to be trending downwards and this is expected to put some price pressure to the manufactured products of Chemicals segment. However the rubber polymer business is expected to be stable and may offset potential downside risks in other businesses under the Chemicals segment.

The demand for pharmaceutical products is expected to remain relatively stable. The defensive nature of the industry augurs well for Pharmaceuticals segment although offtake may fluctuate especially for supply to Government Hospitals.

The price of crude palm oil is expected to remain stable in the first half of the year but weaken in the second half due to the anticipated increase in inventory. Meanwhile, the raw material prices for Fertilizers segment such as potash, phosphate and nitrate are expected to increase in 2012.

The Group's performance for the next financial year ending 31 December 2012 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 31 December 2011 RM'000	Current Period 31 December 2011 RM'000
Taxation		
In respect of profit for the year	162	25,037
Transfer from deferred tax	(3,272)	(5,901)
	(3,110)	19,136



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

B6) Profit Before Tax

	Current Quarter 31 December 2011 RM'000	Current Period 31 December 2011 RM'000
Operating profit is arrived at after charging:		
Allowance for doubtful debt	1,243	3,962
Amortisation of prepaid lease payment	226	445
Bad debt written off	613	1,112
Depreciation of property, plant and equipment	13,714	43,172
Interest expense	10,076	39,087
Write-down of inventories	2,038	2,038
Write-off of inventories	454	1,761
Net foreign exchange loss	<u>405</u>	<u>2,352</u>
And after crediting:		
Gain on disposal of quoted investment	9,481	9,481
Interest income	1,273	5,128
Net foreign exchange gain	<u>1,007</u>	<u>1,312</u>

Other than the above, there were no impairment of assets and gain or loss on derivatives for the current quarter and current period ended 31 December 2011.

B7) Status of corporate proposals that have been announced by the Company but not completed as at the date of this announcement

The Company has on 29 December 2011 announced that it proposed to undertake the following Internal Restructuring exercise :

- (i) the acquisition by Usaha Pharma (M) Sdn Bhd ("UPSB"), a wholly owned subsidiary of CCM, of the entire equity interest in Innovative Polymer Systems Sdn Bhd ("IPSB"), Innovative Resins Sdn Bhd ("IRSB") and Delta Polymer Systems Sdn Bhd ("DPSB"), (hereinafter IPSB, IRSB and DPSB are collectively referred to as "Innovative Group") from CCM and CCM Usaha Kimia (M) Sdn Bhd ("UKSB");
- (ii) subsequent to the Proposed Shares Acquisition, the acquisition by UPSB of the entire businesses and assets of IPSB and DPSB; and
- (iii) increase of share capital of CCM International Sdn Bhd ("CCMI"), CCM Agriculture Sdn Bhd ("CCMA"), CCM Agriculture (Sabah) Sdn Bhd ("CCMAS") and UKSB by way of conversion of a portion of the inter-company loans owing to the Company;



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

B7) Status of corporate proposals that have been announced by the Company but not completed as at the date of this announcement (Continued)

The Company has as at to-date:

- a) in relation to the (i) above, the acquisition by UPSB from the CCM and UKSB of the entire equity interest in IPSB and DPSB was completed on 30 December 2011 except of IRSB which is still in progress;
- b) in relation to the (ii) above, the Business Sale Agreement was entered on 31 December 2011. Currently, it is pending the relevant authorities approval for the completion of the said acquisitions by UPSB;
- c) in relation to the (iii) above, the increase of paid-up share capital for CCMI, CCMA, CCMAS and UKSB via the conversion of the inter-company loans was completed on 29 December 2011.

Save as disclosed above, there was no other corporate proposal announced but not completed as at 29 February 2012.

B8) Group Borrowings and Debt Securities

The Group borrowings as at 31 December 2011 were as follows:

	31 December 2011 RM'000	31 December 2010 RM'000
Short term borrowings		
Unsecured	<u>665,070</u>	<u>529,956</u>
Long term borrowings		
Unsecured	<u>122,438</u>	<u>311,254</u>

B9) 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.



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

B10) Earnings per share

	Current Quarter 31 December 2011	Current Period 31 December 2011
a) Basic Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	<u>8,829</u>	<u>21,642</u>
Issued ordinary shares at beginning of the quarter/year ('000)	404,749	404,741
Effects of shares issued ('000)	7	15
Weighted average number of ordinary shares ('000) at ending of the quarter/year	<u>404,756</u>	<u>404,756</u>
Basic earnings per share (sen)	<u>2.18</u>	<u>5.35</u>
b) Diluted Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	<u>8,829</u>	<u>21,642</u>
Weighted average number of ordinary shares ('000) at ending of the quarter/year	404,756	404,756
Effects of warrants (B) ('000)	55,314	55,314
Weighted average number of ordinary shares – diluted ('000) at ending of the quarter/year	<u>460,070</u>	<u>460,070</u>
Diluted earnings per share (sen)	<u>1.92</u>	<u>4.70</u>

B11) Dividend

The Board of Directors has recommended a final dividend of 2.75 sen per share (2010 : Final dividend of 2.65 sen tax exempt dividend per ordinary share) in respect of the current financial year ended 31 December 2011 in the following manner :

- a) Franked net dividend of 0.33 sen per share; and
- b) Single tier dividend of 2.42 sen per share.

The final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting (AGM) of the Company. The date of the AGM and book closure in respect of the final dividend will be announced in due course.



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

B12) Economic Profit ("EP") Statement

<i>In thousands of RM</i>	Current Quarter 31 December		Current Period 31 December	
	2011	2010	2011	2010
<u>Net operating profit after tax</u> <u>("NOPAT") computation</u>				
Earnings before interest and tax	18.9	30.3	89.9	90.7
Adjusted tax	(4.7)	(7.6)	(22.5)	(22.7)
NOPAT	14.2	22.7	67.4	68.0
<u>Economic charge computation:</u>				
Average invested capital	1,530.6	1,579.0	1,530.6	1,579.0
Weighted average cost of capital %	5.67%	5.11%	5.67%	5.11%
Economic charge	21.7	20.2	86.8	80.7
Economic (loss)/profit	(7.5)	2.5	(19.4)	(12.7)

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

B14) Disclosure of Realised and Unrealised

	31 December 2011 RM'000	31 December 2010 RM'000
Total retained profits of CCM Berhad and its subsidiaries:		
- Realised	255,550	260,066
- Unrealised	19,769	7,571
Total	275,319	267,637



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

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 29 February 2012.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)
Company Secretary
29 February 2012