

CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
(Incorporated in Malaysia)
For the Period Ended 31 March 2008

A Explanatory Notes Pursuant to Financial Reporting Standards ("FRS") 134

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 including compliance with Financial Reporting Standard (FRS) 134 2004 , Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (MASB).

The interim financial report has been prepared in accordance with the same accounting policies in the 2007 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2008 annual financial statements.

The preparation of an interim financial report in conformity with FRS 134 2004 , Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from those estimates.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company's registered office.

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 2007 was not subject to any qualification.

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 disequilibriums.

A4 Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting the Group's assets, liabilities, equity, net income or cash flows in the interim financial statements ended 31 March 2008.

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 repurchase of shares during the quarter. The number of Treasury Shares held as at 31 March 2008 is 2,998,000. During the quarter, Share Capital and Share Premium increased by RM31,000 and RM11,000 respectively due to the conversion of 31,000 warrants.

A7 Dividends paid

No interim dividend was paid in the current quarter under review.

A8 Segment reporting

	Segment Revenue (RM'000)		Segment Profit before tax (RM'000)	
	2008	2007	2008	2007
<i>For the 3 months ended 31 Mar</i>				
Fertilizers	235,689	132,463	19,627	3,710
Chemicals	123,859	117,374	4,262	5,274
Pharmaceuticals	51,487	47,125	12,040	13,098
Others *	1,273	1,316	(5,786)	(2,188)
	412,308	298,278	30,143	19,894
Inter-segment revenue (is eliminated)	(12,821)	(13,274)	-	-
Segment result	399,487	285,004	30,143	19,894
Unallocated expenses	-	-	-	-
	399,487	285,004	30,143	19,894

* Administrative and non-core activities.

Revenue for the Fertilizers division increased by 78% compared to the same period last year while segment PBT increased by 430%. The global fertilizers market has been on an uptrend since the second quarter of last year, both in terms of prices and demand. The division's results for the quarter under review reflect both the increase in prices and larger volumes of deliveries. For the Chemicals division, turnover was 6% higher than the same period last year but segment PBT was 19% lower due to increased plant costs. The Pharmaceuticals divisions recorded a revenue increase of 9% over the same period last year. However, due to higher prices of raw materials and softer product prices from sales to the government sector, segment PBT was lower by 8%.

A9 Property, plant and equipment

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

A10 Post balance sheet events

There are no material events after the period end that have not been reflected in the financial statements for the financial period ended 31 March 2008.

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 Mar 2008

	RM'000	
	At 31 Mar 2008	At 31 Mar 2007
Approved and contracted for	2,526	67,148
Approved but not contracted for	17,304	17,526
	19,830	84,674
	19,830	84,674

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

B1 Review of Performance

The Group achieved a sales turnover of RM399.5 million for the first quarter ended 31 March 2008, up 40% compared to the same period last year. Group Consolidated Profit Before Taxation at RM 30.1 million was 52% higher than the RM 19.9m achieved over the same period last year. At the Gross Profit level, margins improved slightly from 16.0% last year to 16.3% in the current year. At the PBT level, return on sales was 7.5% for the current quarter compared to 7.0% in the same quarter last year. This was achieved despite a 23 % increase in operating expenses. The overall improvement in Group performance was primarily due to contributions from the Fertilizers business.

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

Revenue for the quarter under review increased marginally by 1% from the previous quarter. Profit Before Taxation at RM 30.1m however was 10% lower than the RM 33.5m reported for the previous quarter. The lower profit was due to a change in fair value of investment properties (surplus of RM 8.3m credited to income) reported in the previous quarter. Excluding this item, Profit Before Taxation in the current quarter was 20% higher than the comparable amount for the previous quarter.

B3 Prospects for the remaining period to the end of the financial year.

Demand for and prices of fertilizers are expected to remain strong for the rest of the year. With a new plant expected to come on stream in the second half of the year, the Group is confident that the Fertilizers division will continue to contribute significantly to both its revenue and profit performances for the year. In the Chemicals division, a recovery in the selling prices of caustic products will help to restore margins. In addition, the division's enlarged presence in the watercare business arising from its recent acquisition of Enersave Sdn Bhd will further enhance its revenue and profit bases. For Pharmaceuticals, the division will seek to relieve the pressure of increased raw material costs through upward revisions of selling prices. Overall, the Group expects its performance for the year to be satisfactory.

B4 Variance of Actual Profit from Forecast Profit

The Group neither made any profit forecast nor issued any profit guarantee.

B5 Taxation

Taxation charge of the Group for the current quarter and financial period was as follows:

	At 31 Mar 2008	Year-To-Date 2008
	RM'000	
Taxation		
In respect of profit for the year	10,438	10,438
Under/(Over) provision in respect of previous years		
Transfer to/(from) deferred tax	107	107
	10,545	10,545
	10,545	10,545

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

- a) On 23 April 2008, the Company entered into a conditional shares sale agreement ("SSA") in relation to the proposed acquisitions of :
- (i) 480,000 ordinary shares of RM1.00 each in Innovative Polymer Systems Sdn Bhd ("IPSSB") representing 100% of the issued and paid-up capital in IPSSB as at 31 March 2008;
 - (ii) 99,999 ordinary shares of RM1.00 each in Innovative Resins Sdn Bhd ("IRSB") representing 100% of the issued and paid-up capital in IRSB as at 31 March 2008; and
 - (iii) 1,000 ordinary shares of RM1.00 each in Delta Polymers Systems Sdn Bhd ("DPSSB") representing 100% of the issued and paid-up capital in DPSSB as at 31 March 2008

for an aggregate purchase consideration of RM126,900,000 to be satisfied partly via internally generated funds and partly via external financing. Simultaneously with the execution of the shares sale agreement, the Company has nominated its wholly-owned subsidiary, Usaha Kimia (M) Sdn Bhd to hold one per centum (1%) in each of the Target Companies. In line with the SSA, the Company has commenced its due diligence audit of the proposed acquisitions.

B9 Group Borrowings and Debt Securities

The Group borrowings as at 31 March 2008 were as follows:

	As at 31 Mar 2008 RM'000	As at 31 Mar 2007 RM'000
Short term borrowings		
Unsecured	285,868	172,790
Long term borrowings		
Unsecured	270,000	270,000

B10 Off Balance Sheet Financial Instruments

The Group did not have any financial instrument with off balance sheet risks as at 27 May 2008, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

B11 Changes in material litigation since the last annual balance sheet date

The Group is not engaged in any material litigation as at 27 May 2008, the latest practical date which is not earlier than 7 days from the date of this quarterly report.

B12 Earnings per share

	Quarter ended	Year-To-Date 2008
a) Basic Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	11,649	11,649
Issued ordinary shares at beginning of the year ('000)	402,563	402,563
Effects of shares issued ('000)	17	17
Weighted average number of shares ('000)	402,580	402,580
Basic earnings per share (sen)	2.89	2.89
b) Diluted Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	11,649	11,649
After tax effect of notional interest savings (RM'000)	428	428
Adjusted profit after tax and minority shareholders' interests (RM'000)	12,077	12,077
Weighted average number of ordinary shares ('000)	402,580	402,580
Effect of warrants (B) ('000)	57,477	57,477
Weighted average number of ordinary shares - diluted ('000)	460,057	460,057
Diluted earnings per share (sen)	2.63	2.63

B13 Dividend

No dividend is proposed for the current quarter under review.

B14 Economic Profit ("EP") Statement

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Three months to	Three months to
	31.3.2008	31.3.2007	31.3.2008	31.3.2007
	RM'mill	RM'mill	RM'mill	RM'mill
<u>Net operating profit after tax ("NOPAT") computation:</u>				
Earnings before interest and tax ("EBIT")	33.2	21.3	33.2	21.3
Adjusted tax	(8.6)	(6.0)	(8.6)	(6.0)
NOPAT	24.6	15.3	24.6	15.3
<u>Economic charge computation:</u>				
Average invested capital	1,191.7	992.4	1,191.7	992.4
Weighted average cost of capital ("WACC") (%)	5.61%	5.74%	5.61%	5.74%
Economic charge	16.7	14.2	16.7	14.2
Economic profit	7.9	1.1	7.9	1.1

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.

In the comparison of performance of the current three months ended 31 March 2008 against the corresponding three months ended 31 March 2007, the economic profit has increased by RM6.8 million from RM1.1 million to RM7.9 million.

B15 Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 May 2008.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)
 Company Secretary
 27 May 2008