



**CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)**  
**(Incorporated in Malaysia)**  
**For the Period Ended 31 March 2010**

**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<sub>2004</sub>, 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 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements.

The preparation of an interim financial report in conformity with FRS 134<sub>2004</sub>, 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 2009 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 2009 are available from the Company's registered office.

The following FRSs that are relevant to the Group's operations and effective for the financial period beginning on or after January 2010 are as follows:

**FRSs/Interpretations**

FRS 7: Financial Instrument: Disclosure
FRS 101 (revised): Presentation of Financial Statements
FRS 127: Consolidated and Separate Financial Statements: Cost of an investment in a subsidiary, Jointly Controlled
FRS 139: Financial Instrument: Recognition and Measurement
Amendment to FRS 8: Operating Segment
Amendment to FRS 107: Cash Flow statements
Amendment to FRS 108: Accounting Policies, Changes in accounting Estimates and Errors.
Amendment to FRS 110: Event After Balance Sheet Date
Amendment to FRS 116: Property, Plant and Equipment
Amendment to FRS 117: Leases
Amendment to FRS 118: Revenue
Amendment to FRS 119: Employee Benefits
Amendment to FRS 131: Interest in Joint Venture
Amendment to FRS 132: Financial Instrument: Presentation
Amendment to FRS 134: Interim Financial Reporting
Amendment to FRS 136: Impairment of Assets
Amendment to FRS 138: Intangible Assets
IC Interpretation 10: Interim Financial Reporting and Impairment
IC Interpretation 11: FRS 2-Group and Treasury Share transaction

The adoption of the above standards, amendments and interpretations do not have any material impact on the financial statements of the Group except for the adoptions of the following standards:

*a) FRS 101 (revised), Presentation of Financial Statements*

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The effects of the change in presentation are as follows:

- The gains and losses that were recognised directly in equity in the preceding year corresponding period are presented as components in other comprehensive income in the statement of comprehensive income. The total comprehensive income for preceding year corresponding period is presented separately and allocation is made to show the amount attributable to owners of the parent and to non-controlling interest.
- The total comprehensive income for the period is presented as a one-line item in the statement of changes in equity.

*b) FRS 139: Financial Instrument: Recognition and Measurement*

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the balance sheet date were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when, the Company or any subsidiary becomes a party to the contractual provisions of the instruments. The effects of the remeasurement on 1 January 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained profits and other opening reserves as disclosed in the statement of changes in equity. Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in the income statement.

*c) Amendment to FRS 8: Operating Segment*

FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group presents its segment information based on its business segments divisionally, which is also the basis of presenting its monthly internal management reports.

The application of the above new policies has the following effects:

	Fair value reserve RM'000	Retained earnings RM'000
At 1 January 2010, as previously stated	0	284,389
Adjustments arising from adoption of FRS 139:		
- Fair value of equity securities classified as available-for-sale	25,348	
- Impairment of trade and other receivables, net of tax		-287
At 1 January 2010, as restated	25,348	284,102

**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 2009 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**

Nil

**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 2010 is 2,998,000. During the quarter, there is no movement of Share Capital and Share Premium of the Company.

**A7 Dividends paid**

No dividend was paid in the current quarter under review.

**A8 Segment reporting**

	Segment Revenue (RM'000)		Segment Profit/(Loss) before tax (RM'000)	
	2010	2009	2010	2009
<i>For the 3 months ended 31 March</i>				
Fertilizers	198,963	183,738	(6,498)	336
Chemicals	111,738	104,433	5,713	(149)
Pharmaceuticals	58,110	54,997	3,476	8,810
Others *	1,209	1,148	1,159	16,180
	370,020	344,316	3,849	25,177
Inter-segment revenue (is eliminated)	(1,338)	(1,218)	(789)	(17,394)
Segment result	368,683	343,098	3,060	7,783
Unallocated expenses	-	-	-	-
	368,683	343,098	3,060	7,783

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

Turnover for Fertilizers division for the year ended 31 March 2010 was 8.3% higher than the corresponding period last year. Segment profit before tax contributed a loss of RM 6.5 million compared to a profit of RM 0.3 million reported in the same period last year. Severe price competition from other NPK compounds continued to adversely affect the sales margin performance of the division.

Revenue for the Chemicals division for the year ended 31 March 2010 increased by 7.0% against the corresponding period last year while segment profit before tax contributed a profit of RM 5.7 million compared to a loss of RM 0.1 million in the same period last year. Turnover increased due to better metals pricing coupled with the improvement in specialty chemical business. Meanwhile, the higher profit achieved in the quarter under review was mainly contributed by lower overhead costs, lower provision for doubtful debts and higher share of associated company results.

The Pharmaceuticals division recorded a higher turnover of 5.7% for the period under review compared to the same period last year. Profit before tax for the division was 60.5% lower as compared to the corresponding period last year. The decrease was due to lower margin sales to government hospital and quota limitation imposed by the authority on controlled drugs as well as higher finance cost as a result of FRS139 implementation.

**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 2010.

**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 March 2010

	RM'000	
	At 31 March 2010	At 31 March 2009
Approved and contracted for	38,407	55,899
Approved but not contracted for	29,919	45,507
	<u>68,326</u>	<u>101,406</u>

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

**B1 Review of Performance**

Consolidated Group revenue for the first quarter ended 31 March 2010 increased by 7.5% as compared to the corresponding quarter last year as all the three divisions reported higher sales. Consolidated Group profit before tax for the first quarter ended 31 March 2010 was lower by 60.7% compared to the same period last year. The steep decline in profit before tax was primarily due to severe price competition from other NPK compounds which adversely affect the sales margin for Fertilizers Division as well as lower margin sales to Government hospitals and quota limitation imposed on controlled drugs for Pharmaceutical Divisions.

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

Consolidated Group revenue decreased by 8.3% from the previous quarter. However, Consolidated Group profit before tax improved by 129.8% from loss before tax of RM 10.8 million to a profit before tax of RM 3.1 million.

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

With the anticipated improvement in the domestic and regional economies, the Group expects to achieve a more favourable performance for the remaining period.

**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:

	<b>Quarter ended</b>	<b>Year-To-Date</b>
	<b>RM'000</b>	<b>2009</b>
Taxation		
In respect of profit for the year	3,074	3,074
Under/(Over) provision in respect of previous years	0	0
Transfer to/(from) deferred tax	(1,442)	(1,442)
	<hr/> 1,632	<hr/> 1,632

**B6 Sale of Unquoted Investments and/or Properties**

There was no sale of unquoted investments 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 proposals that have 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 31 March 2010 were as follows:

	<b>At 31 March 2010</b>	<b>At 31 March 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short term borrowings</b>		
Unsecured	<hr/> 359,724	<hr/> 686,791
<b>Long term borrowings</b>		
Unsecured	<hr/> 465,462	<hr/> 187,019

**B10 Off Balance Sheet Financial Instruments**

The Group did not have any financial instrument with off balance sheet risks as at 27 May 2010, 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 2010, 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 2009
<b>a) Basic Earnings Per Share:-</b>		
Profit after tax and minority shareholders' interests (RM'000)	846	846
Issued ordinary shares at beginning of the year ('000)	402,946	402,946
Effects of shares issued ('000)	0	0
Weighted average number of shares ('000)	402,946	402,946
Basic earnings per share (sen)	0.21	0.21
<b>b) Diluted Earnings Per Share:-</b>		
Profit after tax and minority shareholders' interests (RM'000)	846	846
After tax effect of notional interest savings (RM'000)	437	437
Adjusted profit after tax and minority shareholders' interests (RM'000)	1,283	1,283
Weighted average number of ordinary shares ('000)	402,946	402,946
Effect of warrants (B) ('000)	57,125	57,125
Weighted average number of ordinary shares - diluted ('000)	460,071	460,071
Diluted earnings per share (sen)	0.28	0.28

**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
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
	RM'mill	RM'mill	RM'mill	RM'mill
<u>Net operating profit after tax ("NOPAT") computation:</u>				
Earnings before interest and tax ("EBIT")	9.0	13.5	9.0	13.5
Adjusted tax	(2.3)	(3.4)	(2.3)	(3.4)
<b>NOPAT</b>	<b>6.8</b>	<b>10.1</b>	<b>6.8</b>	<b>10.1</b>
<u>Economic charge computation:</u>				
Average invested capital	1,549.6	1,635.6	1,549.6	1,635.6
Weighted average cost of capital ("WACC") (%)	5.16%	4.79%	5.16%	4.79%
<b>Economic charge</b>	<b>20.0</b>	<b>19.6</b>	<b>20.0</b>	<b>19.6</b>
<b>Economic profit / (loss)</b>	<b>(13.2)</b>	<b>(9.5)</b>	<b>(13.2)</b>	<b>(9.5)</b>

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 year ended 31 March 2010 against the corresponding period, the group recorded economic loss of RM13.2 million for the period under review.

**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 2010.

By Order of the Board

**NOOR AZWAH SAMSUDIN (LS0006071)**

Company Secretary

27 May 2010