

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

Pursuant to the decision to convert its Shah Alam fertilisers plant to a urea-based steam granulation process technology, the Group has recorded a one-time, non-recurring charge amounting to RM 15.4 million in the current quarter and year-to-date. This charge represents a write-down of the carrying value of the fixed assets and spare parts used in the production of nitric acid in the current ammonia-based process which, upon completion of the conversion to the new process technology, will become redundant. This charge is reflected under "Other expenses".

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 30 June 2008 is 2,998,000.

During the quarter, Share Capital and Share Premium increased by RM236,000 and RM85,000 respectively due to the conversion of 236,000 warrants.

A7 Dividends paid

Final dividends relating to the financial year ended 31 December 2007 of 10.0 sen per ordinary share less tax at 26% (7.40 sen net per ordinary shares) were paid in the current quarter totalling RM 29.6 million on 20 June 2008.

A8 Segment reporting

	Segment Revenue (RM'000)		Segment Profit before tax (RM'000)	
	2008	2007	2008	2007
<i>For the 6 months ended 30 June</i>				
Fertilizers	636,587	324,813	44,641	12,744
Chemicals	269,725	245,021	10,308	8,678
Pharmaceuticals	114,285	98,770	25,018	26,308
Others *	4,757	4,317	(8,615)	12,089
	1,025,354	672,921	71,352	59,819
Inter-segment revenue (is eliminated)	(32,930)	(30,266)	-	(15,975)
Segment result	992,424	642,655	71,352	43,844
Unallocated expenses	-	-	-	-
	992,424	642,655	71,352	43,844

* Administrative and non-core activities.

Year-to-date revenue for the Fertilizers division increased by 96% compared to the same period last year while segment PBT, including the RM 15.4 million extraordinary charge, increased by 250%. Excluding the extraordinary charge, the increase in PBT of the Fertilizers division would have been 371%. The strong performance of the Fertilizers division was achieved in an environment of rising prices and market demand for fertilizers where both better margins and higher volumes were recorded. Meanwhile, the Chemicals division registered a 10% higher turnover than the same period last year, and a 19% increase in segment PBT as a result of higher prices for caustic products. Revenue for the Pharmaceuticals division recorded an increase of 16% over the same period last year; however, due to the higher prices of raw materials, the Pharmaceuticals segment PBT was lower by 5%.

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 30 June 2008.

A11 Effect of changes in the composition of the Group

Enersave Water Sdn Bhd became a subsidiary of CCM Usaha Kimia (M) Sdn Bhd (formerly known as Usaha Kimia (M) Sdn Bhd), a wholly owned subsidiary of Chemical Company of Malaysia Berhad effective from 17 April 2008 and its financial results have been included in the Group Consolidated statements for the current quarter and year-to-date. The impact on the Group's results for the period under review is not material.

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 June 2008

	RM'000	
	At 30 June 2008	At 30 June 2007
Approved and contracted for	81,546	68,860
Approved but not contracted for	45,518	15,147
	127,064	84,007
	127,064	84,007

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 RM592.9 million for the second quarter ended 30 June 2008, up 65.8% compared to the same period last year. Group Consolidated Profit Before Taxation at RM 41.2 million was 72.1% higher than the RM 23.9 million achieved over the same period last year. At the Gross Profit level, margins improved from 14.3% last year to 15.9% in the current year. At the PBT level, return on sales was 6.9% for the current quarter compared to 6.7% in the same quarter last year. The current quarter ended 30 June 2008, however, includes an extraordinary charge of RM 15.4 million (refer Note A4 above). Excluding the effects of this extraordinary charge, the Group Consolidated Profit Before Taxation for the current quarter current year would have been RM 56.6 million, an increase of 136.3% over the same quarter last year. Likewise excluding the extraordinary charge, the return on sales at the PBT level for the quarter under review would have been 9.5% compared to 6.7% last year.

For the year-to-date ended 30 June 2008, the Group achieved a sales turnover of RM 992.4 million, an increase of 54.4% over the same period last year. Gross Profit for the current half-year at RM 159.3 million increased by 64.3% over the same period last year. Profit Before Taxation for the current year-to-date of RM 71.4 million was 62.7% higher than the RM 43.8 million recorded in the same period last year, representing a PBT return on sales of 7.2% compared to 6.8% last year (inclusive of the RM 15.4 million extraordinary charge). Excluding the extraordinary charge the increase in the current year-to-date PBT would have been 97.8% over the same period last year and the PBT return on sale would have improved to 8.7%.

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

Revenue for the quarter under review increased by 48.4% from the previous quarter. Profit Before Taxation at RM 41.2 million was 36.7% higher than the RM 30.1 million reported for the previous quarter. Excluding the effects of the extraordinary charge (refer to Note A4 above) the increase in Profit Before Taxation would have been 87.8%. All business divisions recorded quarter-on-quarter growth in both revenues and profit.

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

The Group is optimistic that the strong performance of the first half year will be maintainable through the second half year. The challenge will be in managing the increased cost pressures arising from the recent hikes in energy costs and their spillover effects. This outlook is based on the assumption that there will be continued, albeit slower, growth in the domestic and regional economies.

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 30 June 2008	Year-To-Date 2008
	RM'000	
Taxation		
In respect of profit for the year	9,980	20,350
Under/(Over) provision in respect of previous years		
Transfer to/(from) deferred tax	107	282
	10,087	20,632
	10,087	20,632

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 had nominated its wholly-owned subsidiary, CCM Usaha Kimia (M) Sdn Bhd (formerly known as Usaha Kimia (M) Sdn Bhd) to hold one percentum (1%) in each of the Target Companies. On 3 July 2008, the Company entered into a supplemental shares sale agreement to vary certain terms of the SSA, in particular the variation of the aggregate purchase consideration to RM122,190,000. Completion of the acquisition is pending fulfillment of the conditions precedent pursuant to the SSA.

B9 Group Borrowings and Debt Securities

The Group borrowings as at 30 June 2008 were as follows:

	As at 30 June 2008 RM'000	As at 31 Dec 2007 RM'000
Short term borrowings		
Unsecured	380,966	172,790
Long term borrowings		
Unsecured	272,318	270,000

B10 Off Balance Sheet Financial Instruments

The Group did not have any financial instrument with off balance sheet risks as at 28 August 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 28 August 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)	29,679	41,328
Issued ordinary shares at beginning of the year ('000)	402,563	402,563
Effects of shares issued ('000)	64	64
Weighted average number of shares ('000)	402,627	402,627
Basic earnings per share (sen)	7.37	10.26
b) Diluted Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	29,679	41,328
After tax effect of notional interest savings (RM'000)	424	852
Adjusted profit after tax and minority shareholders' interests (RM'000)	30,103	42,180
Weighted average number of ordinary shares ('000)	402,627	402,627
Effect of warrants (B) ('000)	57,241	57,241
Weighted average number of ordinary shares - diluted ('000)	459,868	459,868
Diluted earnings per share (sen)	6.55	9.17

B13 Dividend

The Board of Directors has recommended an interim ordinary dividend of 8.0 sen per ordinary shares less tax at 26% (2007 : 6.0 sen per ordinary shares less tax at 27%) in respect of the current financial year ending 31 December 2008.

B14 Economic Profit ("EP") Statement

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	RM'mill	RM'mill	RM'mill	RM'mill
<u>Net operating profit after tax ("NOPAT") computation:</u>				
Earnings before interest and tax ("EBIT")	43.5	24.7	76.8	46.0
Adjusted tax	(11.3)	(6.9)	(20.0)	(12.9)
NOPAT	32.2	17.8	56.8	33.1
<u>Economic charge computation:</u>				
Average invested capital	1,255.9	991.1	1,255.9	991.1
Weighted average cost of capital ("WACC") (%)	6.15%	5.72%	6.15%	5.72%
Economic charge	19.3	14.2	38.6	28.4
Economic profit	12.9	3.6	18.2	4.8

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 six months ended 30 June 2008 against the corresponding six months ended 30 June 2007, the economic profit has increased by RM13.4 million from RM4.8 million to RM18.2 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 28 August 2008.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)

Company Secretary

28 August 2008