

**CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)**  
**(Incorporated in Malaysia)**  
**For the Period Ended 30 June 2009**

**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 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 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 2008 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 2008 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 2008 was not subject to any qualification.

**A3 Explanatory comments about the seasonality or cyclical nature 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 30 June 2009 is 2,998,000.

During the quarter, Share Capital and Share Premium increased by RM10,000 and RM3,600 respectively due to the conversion of 10,000

**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)	
	2009	2008	2009	2008
<i>For the 6 months ended 30 June</i>				
Fertilizers	436,199	636,587	1,507	44,641
Chemicals	211,389	269,725	(5,514)	10,308
Pharmaceuticals	118,282	114,285	18,884	22,581
Others *	2,229	4,757	8,682	(6,179)
	768,099	1,025,354	23,558	71,351
Inter-segment revenue (is eliminated)	(2,090)	(32,930)	(16,214)	-
Segment result	766,009	992,424	7,344	71,351
Unallocated expenses	-	-	-	-
	766,009	992,424	7,344	71,351

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

Turnover performance of the Fertilizers division for the 2009 first half year was 31.5% lower than that achieved in the same period last year. PBT was 96.6% lower than the corresponding performance reported in the same period last year. The division's performance in the current half was affected by both lower prices and volumes. At the same time, margins were eroded due to continued declines in the realisable value of brought forward stock from the previous year-end. Production at the Shah Alam plant incurred a longer than expected shutdown during its conversion to a urea-based production process while production at the Bintulu plant was affected by a problematic screener machinery which was eventually replaced. Both the plants are expected to revert to available full capacity from quarter 3 onwards.

Revenue for the Chemicals division for the first half-year decreased by 21.6% against the same period last year while PBT turned into a loss at negative RM 5.514 million compared to a positive RM 10.308 million in the same period last year. Turnover performance reflected lower sales volumes and prices in the division's chlor-alkali, chemicals trading and water-care / water-treatment businesses. This was offset to some extent by turnover from the newly acquired chemicals formulation business. PBT was largely affected by provisions for slow-moving stocks and doubtful debts of the chemicals trading business, and lack of new orders and provisions for residual client claims in the water-systems business.

The Pharmaceuticals division recorded a 3.5% higher turnover for the period under review compared to the same period last year. PBT, however, was 16.4% lower than that achieved in the same period last year due to the full impact of depreciation, interest and utilities costs of the new Bangi plant. In the previous year, these costs came onstream only in the second quarter. Although the division has proven to be resilient in the face of the economic contraction, it nevertheless faces pricing pressures in the renewal of contract deliveries to the government sector and increasing competition in the private market sector.

**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**

On 20 July 2009, CCM Berhad (CCM) has purchased 281,250 ordinary shares of RM1.00 each representing 2.81% of the issued and paid up capital of CCM Water Systems Sdn Bhd (CCMWS) from Mr. Lai Wai Kun for a total cash purchase consideration of RM1,125,294.00 only, as agreed in the Shareholders' Agreement between CCM, CCM Usaha Kimia (M) Sdn Bhd, Mr. Lai Wai Kun and Mr. Aloysius Lai Min Yun dated 17 April 2008. As a result of the purchase, the total shareholding of the CCM Group in CCMWS now stands at 9,848,752 ordinary shares of RM1.00 each, representing approximately 98.49% of the issued and paid up capital of CCMWS.

**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 June 2009

	RM'000	
	At 30 June 2009	At 30 June 2008
Approved and contracted for	58,942	81,546
Approved but not contracted for	35,027	45,518
	93,969	127,064

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

**B1 Review of Performance**

The second quarter ended 30 June 2009 continued to be sluggish for both the fertilizers and chemicals businesses, with lower prices and volumes contributing to a drop of 28.7% in Consolidated Group revenue compared to the same period last year. Further impairment were incurred in the carry-over stocks of MOP ("muriate of potash") and soda ash due to price drops during the quarter while the price of caustic soda continued to decline. As a result, Consolidated Group gross profit was lower by 59.6% compared to the same period last year. Excluding an extraordinary charge of RM 15.4 million arising from last year's nitric acid plant write-down, total operating costs for the current quarter was lower by 2.2% year-on-year. The reduction in operating earnings arising from lower sales and margins combined with higher financing costs arising from the RM 150m sukuk issued in the fourth quarter of last year resulted in an overall decline of 101.1% in Consolidated Group profit before taxation.

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

Consolidated Group revenue increased by 23.3% from the previous quarter. However, Consolidated Group gross profit was lower by 27.9% due to impairment losses on MOP stock and soda ash and margin erosions in sales of caustic. Total operating costs improved by 13.6% from the previous quarter. Financing costs in the current quarter include an amount of adjustment for under accruals in the previous quarter. Correcting for this adjustment, Consolidated Group profit before taxation for the current quarter should be RM 2.6 million and for the previous quarter RM 4.7 million, i.e. a decline of 45.2% quarter-on-quarter.

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

In spite of the expected better performances by its pharmaceuticals and fertilizers divisions during the second-half year, the Group is not likely to achieve its turnover and profit before tax targets announced for the year.

**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 2009	Year-To-Date 2009
	RM'000	
Taxation		
In respect of profit for the year	4,685	7,868
Under/(Over) provision in respect of previous years	3,224	3,224
Transfer to/(from) deferred tax	(8,570)	(8,121)
	(661)	2,971

**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 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 30 June 2009 were as follows:

	As at 30 June 2009 RM'000	As at 30 June 2008 RM'000
<b>Short term borrowings</b>		
Unsecured	616,748	380,966
<b>Long term borrowings</b>		
Unsecured	186,917	272,318

**B10 Off Balance Sheet Financial Instruments**

The Group did not have any financial instrument with off balance sheet risks as at 27 August 2009, 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 August 2009, 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)	(1,763)	498
Issued ordinary shares at beginning of the year ('000)	402,849	402,849
Effects of shares issued ('000)	3	3
Weighted average number of shares ('000)	402,852	402,852
Basic earnings per share (sen)	(0.44)	0.12
<b>b) Diluted Earnings Per Share:-</b>		
Profit after tax and minority shareholders' interests (RM'000)	(1,763)	498
After tax effect of notional interest savings (RM'000)	443	875
Adjusted profit after tax and minority shareholders' interests	(1,320)	1,373
Weighted average number of ordinary shares ('000)	402,852	402,852
Effect of warrants (B) ('000)	57,211	57,211
Weighted average number of ordinary shares - diluted ('000)	460,064	460,064
Diluted earnings per share (sen)	(0.29)	0.30

**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	Six months to	Six months to
	30.06.2009 RM'mill	30.06.2008 RM'mill	30.06.2009 RM'mill	30.06.2008 RM'mill
<u>Net operating profit after tax ("NOPAT") computation:</u>				
Earnings before interest and tax ("EBIT")	9.0	43.5	22.5	76.8
Adjusted tax	(2.3)	(11.3)	(5.6)	(20.0)
<b>NOPAT</b>	<b>6.8</b>	<b>32.2</b>	<b>16.9</b>	<b>56.8</b>
<u>Economic charge computation:</u>				
Average invested capital	1,624.7	1,255.9	1,624.7	1,255.9
Weighted average cost of capital ("WACC") (%)	5.82%	6.15%	5.82%	6.15%
<b>Economic charge</b>	<b>23.6</b>	<b>19.3</b>	<b>47.3</b>	<b>38.6</b>
<b>Economic profit</b>	<b>-16.9</b>	<b>12.9</b>	<b>-30.4</b>	<b>18.2</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 current six months ended 30 June 2009 against the corresponding period, the group recorded economic loss of RM30.4 million against economic profit of RM18.2 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 August 2009.

By Order of the Board

**NOOR AZWAH SAMSUDIN (LS0006071)**

Company Secretary

27 August 2009