



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

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 September 2008 is 2,998,000.

During the quarter, Share Capital and Share Premium increased by RM19,000 and RM6,840 respectively due to the conversion of 19,000 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 9 months ended 30 September</i>				
Fertilizers	1,061,131	518,820	81,814	22,383
Chemicals	439,613	371,986	17,658	12,837
Pharmaceuticals	176,998	154,044	36,115	42,102
Others *	7,659	6,302	(13,574)	7,112
	1,685,401	1,051,152	122,013	84,434
Inter-segment revenue (is eliminated)	(50,754)	(47,642)	-	(12,411)
Segment result	1,634,647	1,003,510	122,013	72,023
Unallocated expenses	-	-	-	-
	1,634,647	1,003,510	122,013	72,023

* Administrative and non-core activities.

Year-to-date revenue for the Fertilizers division increased by 104.5% compared to the same period last year while PBT increased by 265.5%. The increase in year-to-date PBT included an extraordinary charge of RM 15.4 million reported in the previous quarter, without which charge the increase in the year-to-date PBT of the Fertilizers division would have been higher at 334.3%. The strong performance of the Fertilizers division for the nine months year-to-date was achieved in an environment of rising prices and market demand for fertilizers where both better margins and higher volumes were recorded. Turnover for the Chemicals division for the nine months year-to-date was 18.2% higher than the same period last year, while PBT increased by 37.6% due to higher prices for caustic products and the inclusion of sales and earnings of Enersave Water Sdn. Bhd. which became a subsidiary of the Group on 17 April 2008. Revenue for the Pharmaceuticals division increased by 14.9% over the same period last year; however, due to the higher prices of raw materials and lower selling prices of certain products to the Government sector, the nine months year-to-date PBT of the Pharmaceuticals division was 14.2% lower compared to the same period last year.

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 September 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 30 September 2008

	RM'000	
	At 30 Sept 2008	At 30 Sept 2007
Approved and contracted for	85,461	82,520
Approved but not contracted for	36,111	14,368
	121,572	96,888

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 RM642.2 million for the third quarter ended 30 September 2008, up 78.0% compared to the same period last year. Group Consolidated Profit Before Taxation at RM 50.7 million was 80.0% higher than the RM 28.2 million achieved over the same period last year. At the Gross Profit level, margins improved from 15.2% last year to 15.4% in the current year. At the PBT level, return on sales was 7.9% for the current quarter compared to 7.8% in the same quarter last year.

For the year-to-date ended 30 September 2008, the Group achieved a sales turnover of RM 1,634.6 million, an increase of 62.9% over the same period last year. Gross Profit for the current year-to-date at RM 257.9.3 million increased by 68.2% over the same period last year. Profit Before Taxation for the current year-to-date at RM 122.0 million was 69.4% higher than the RM 72.0 million recorded in the same period last year, representing a PBT return on sales of 7.5% compared to 7.2% last year. The current year-to-date PBT includes a RM 15.4 million extraordinary charge recorded in the second quarter. Excluding this extraordinary charge the increase in the current year-to-date PBT would have been 90.8% over the same period last year and the PBT return on sale would have improved to 8.4%.

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

Revenue for the quarter under review at RM 642.2 million increased by 8.3% from the previous quarter at RM 592.9 million. Profit Before Taxation at RM 50.7 million was 22.9% higher than the RM 41.2 million reported for the previous quarter. Excluding the effects of the extraordinary charge of RM 15.4 million incurred in the previous quarter, Profit Before Taxation for the quarter under review was 10.5% lower than the previous quarter. This was due to increased cost pressures arising from the June 4 fuel price increase and higher electricity tariffs introduced in July. Although fuel prices were subsequently reduced, overall electricity and transportation costs incurred in the quarter under review were higher compared to the preceding quarter.

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

With the general economic outlook turning bearish and recession already occurring in the world's major economies, the Group expects some softening in its performance for the remaining quarter to the end of the financial year. Nevertheless, the Group expects to remain profitable in the last quarter thus maintaining its strong overall performance 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 Sept 2008	Year-To-Date 2008
	RM'000	
Taxation		
In respect of profit for the year	16,401	36,751
Under/(Over) provision in respect of previous years	3,165	3,165
Transfer to/(from) deferred tax	(300)	(18)
	19,266	39,898

B6 Sale of Unquoted Investments and/or Properties

On 17 September 2008, the Group has entered into a Sale & Purchase Agreement for the sale of two pieces of vacant land at a total consideration of RM8.13 million to a third party. Deposit of 10% has been received pursuant to the Sale & Purchase Agreement.

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") with Paramount Discovery Sdn Bhd in relation to the proposed acquisitions by the Company 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. The prescribed period under the SSA to fulfill the conditions precedent has been extended from 2 November 2008 to 2 December 2008.

b) On 18 September 2008, the Company received approval from the Securities Commission for the proposed issuance of Musyarakah Commercial Papers ("MCP") and Musyarakah Medium Term Notes ("MMTN") pursuant to a MCP programme of up to RM 250 million in nominal value and a MMTN programme of up to RM 500 million in nominal value, respectively, to be established under the Syariah principle of Musyarakah with a combined master limit of RM 500 million in nominal value. The tenor of the MCP programme is seven (7) years from the date of first issuance of the MCP and the tenor of the MMTN programme is fifteen (15) years from the date of first issuance of the MMTN. The Company is yet to do a first issuance of the MCP and of the MMTN.

B9 Group Borrowings and Debt Securities

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

	As at 30 Sept 2008 RM'000	As at 31 Dec 2007 RM'000
Short term borrowings		
Unsecured	467,165	172,790
Long term borrowings		
Unsecured	272,219	270,000

B10 Off Balance Sheet Financial Instruments

The Group did not have any financial instrument with off balance sheet risks as at 27 November 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 November 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)	24,925	66,253
Issued ordinary shares at beginning of the year ('000)	402,563	402,563
Effects of shares issued ('000)	133	133
Weighted average number of shares ('000)	402,696	402,696
Basic earnings per share (sen)	6.19	16.45
b) Diluted Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	24,925	66,253
After tax effect of notional interest savings (RM'000)	443	1,296
Adjusted profit after tax and minority shareholders' interests (RM'000)	25,368	67,549
Weighted average number of ordinary shares ('000)	402,696	402,696
Effect of warrants (B) ('000)	57,222	57,222
Weighted average number of ordinary shares - diluted ('000)	459,918	459,918
Diluted earnings per share (sen)	5.52	14.69

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	Nine months to	Nine months to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'mill	RM'mill	RM'mill	RM'mill
<u>Net operating profit after tax ("NOPAT") computation:</u>				
Earnings before interest and tax ("EBIT")	56.9	30.2	133.7	76.3
Adjusted tax	(14.8)	(7.7)	(34.8)	(20.6)
NOPAT	42.1	22.5	98.9	55.7
<u>Economic charge computation:</u>				
Average invested capital	1,333.8	1020.8	1,333.8	1,020.8
Weighted average cost of capital ("WACC") (%)	5.60%	6.19%	5.60%	6.19%
Economic charge	18.7	15.8	56.0	47.4
Economic profit	23.4	6.7	42.9	8.2

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 nine months ended 30 September 2008 against the corresponding nine months ended 30 September 2007, the economic profit has increased by RM34.7 million from RM8.2 million to RM42.9 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 November 2008.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)
Company Secretary
28 November 2008