



CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
(Incorporated in Malaysia)
For the Period Ended 30 September 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) 134₂₀₀₄, 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 134₂₀₀₄, 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 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 2009 is 2,998,000.

During the quarter, Share Capital and Share Premium increased by RM43,350 and RM19,206 respectively due to the conversion of 43,350 warrants.

A7 Dividends paid

Final dividends relating to the financial year ended 31 December 2008 of 1.80 sen per ordinary share less tax at 25% (1.35 sen net per ordinary shares) and tax exempt dividend of 4.85 sen per ordinary share were paid in the current quarter totalling RM 24.8 million on 23 July 2009.

A8 Segment reporting

	Segment Revenue (RM'000)		Segment Profit before tax (RM'000)	
	2009	2008	2009	2008
<i>For the 9 months ended 30 September</i>				
Fertilizers	665,023	1,061,131	15,002	81,814
Chemicals	317,301	439,613	(2,110)	17,658
Pharmaceuticals	187,568	176,998	26,412	36,115
Others *	3,441	7,659	3,191	(13,574)
	1,173,333	1,685,401	42,495	122,013
Inter-segment revenue (<i>is eliminated</i>)	(3,738)	(50,754)	(16,660)	-
Segment result	1,169,595	1,634,647	25,835	122,013
Unallocated expenses	-	-	-	-
	1,169,595	1,634,647	25,835	122,013

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

Turnover performance of the Fertilizers division for the nine months ended 30 September 2009 was 37.3% lower than that achieved in the same period last year. PBT was 81.7% lower than the corresponding performance reported in the same period last year. Major contributing factors are overall lower prices, softer customers demand and write down of stocks.

Revenue for the Chemicals division for the nine months ended 30 September 2009 decreased by 27.8% against the same period last year while profit before tax contributed a loss of RM 2.1 million compared to a profit of RM 17.7 million in the same period last year. Turnover performance reflected lower sales volumes in the division's trading activities and lower prices for both the division's manufactured and traded products. In addition, with the conversion of the Group's Shah Alam fertilizers plant to a urea-based production process, interdivisional sales of ammonia from the Chemicals division to the Fertilizers division was discontinued. The division's loss was largely due to provisions for doubtful debts and the writedown of stock values in the early part of the year arising from falling product prices.

The Pharmaceuticals division recorded a 6.0% higher turnover for the period under review compared to the same period last year. In spite of the growth in sales, profit before tax for the division was 26.9% lower than that achieved in the same period last year. This was due to the full period impact of depreciation and interest charges of the new Bangi plant which came onstream in the second quarter of last year. In addition, narrower margins were recorded on sales to the government 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 RM1.1 million 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 September 2009

	RM'000	
	At 30 Sept 2009	At 30 Sept 2008
Approved and contracted for	58,362	85,461
Approved but not contracted for	20,140	36,111
	<u>78,502</u>	<u>121,572</u>

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

B1 Review of Performance

The third quarter ended 30 September 2009 continued to reflect the tougher business conditions affecting both the Fertilizers and Chemicals businesses in the current year compared to the previous year, contributing to a drop of 37.2% in Consolidated Group revenue of RM403.6 million compared to RM642.2 million the same period last year. Accordingly, consolidated Group profit before tax for the third quarter ended 30 September 2009 decreased by 63.5% from RM50.7 million to RM18.5 million.

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

Consolidated Group revenue decreased by 4.6% from the previous quarter. However, Consolidated Group gross profit was higher by 45.3%. Total operating costs decreased by 7.6% from the previous 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 Sept 2009	Year-To-Date 2009
	RM'000	
Taxation		
In respect of profit for the year	5,770	13,638
Under/(Over) provision in respect of previous years	(38)	3,186
Transfer to/(from) deferred tax	1,276	(6,845)
	7,008	9,979
	7,008	9,979

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. On 4 June 2009, the Group has entered into a Sale & Purchase Agreement for the sale of a land and building located at Petaling Jaya at a total consideration of RM11.8 million to a third party. In addition to that, on 27 October 2009, the Group has entered into a Sale & Purchase Agreement for the sale of a vacant land located at Teluk Panglima Garang at a total consideration of RM30.0 million to a third party, subject to price adjustment on the final measurements of the land area.

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 September 2009 were as follows:

	As at 30 Sept 2009 RM'000	As at 30 Sept 2008 RM'000
Short term borrowings		
Unsecured	591,698	467,165
Long term borrowings		
Unsecured	289,980	272,219

B10 Off Balance Sheet Financial Instruments

The Group has issued a drawdown notice under a 3 year forward cross currency swap loan facility with The Bank of Tokyo - Mitsubishi UFJ (Malaysia) Berhad for a sum amounting to RM200 million for value date on 22nd December 2009.

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

The Group is not engaged in any material litigation as at 24 November 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
a) Basic Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	6,463	6,961
Issued ordinary shares at beginning of the year ('000)	402,849	402,849
Effects of shares issued ('000)	11	11
Weighted average number of shares ('000)	402,860	402,860
Basic earnings per share (sen)	1.60	1.73
b) Diluted Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	6,463	6,961
After tax effect of notional interest savings (RM'000)	437	1,312
Adjusted profit after tax and minority shareholders' interests	6,900	8,273
Weighted average number of ordinary shares ('000)	402,860	402,860
Effect of warrants (B) ('000)	57,168	57,168
Weighted average number of ordinary shares - diluted ('000)	460,028	460,028
Diluted earnings per share (sen)	1.50	1.80

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
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
	RM'mill	RM'mill	RM'mill	RM'mill
<u>Net operating profit after tax ("NOPAT") computation:</u>				
Earnings before interest and tax ("EBIT")	25.6	56.9	48.1	133.7
Adjusted tax	(6.4)	(14.8)	(12.0)	(34.8)
NOPAT	19.2	42.1	36.1	98.9
<u>Economic charge computation:</u>				
Average invested capital	1,656.9	1,333.8	1,656.9	1,333.8
Weighted average cost of capital ("WACC") (%)	5.53%	5.60%	5.53%	5.60%
Economic charge	22.9	18.7	68.7	56.0
Economic profit	-3.7	23.5	-32.6	42.9

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 2009 against the corresponding period, the group recorded economic loss of RM32.6 million against economic profit of RM42.9 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 24 November 2009.

By Order of the Board

IBRAHIM HUSSIN SALLEH (LS0009121)

Company Secretary

24 November 2009