CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
(Incorporated in Malaysia)
For the Period Ended 31 March 2011

NOTES TO THE INTERIM FINANCIAL REPORT

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 and FRS 134, *Interim Financial Reporting.*

The interim financial report has been prepared in accordance with the same accounting policies in the consolidated financial statement as at and for the year ended 31 December 2010.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2010 except for the mandatory adoption of the following new and revised Financial Reporting Standards ("FRS") and Issues Committee Interpretations ("IC Int.") effective for the financial period beginning 1 January 2011:

FRSs/Interpretations

FRS 3 : Business Combinations (revised)
Amendments to FRS 2 : Share-based Payment
Amendments to FRS 2 : Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5 : Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 127 : Consolidated and Separate Financial Statements
Amendments to FRS 138 : Intangible Assets
Amendments to IC Int. 9 : Reassessment of Embedded Derivatives
Amendments to IC Int. 13 : Customer Loyalty Programmes
IC Int. 17 : Distributions of Non-cash Assets to Owners
IC Int. 4 : Determining Whether an Arrangement contains a lease
Amendments to FRS 132 : Classification of Rights Issues
Amendments to FRS 1 : limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters
Amendments to FRS 7 : Improving Disclosure about Financial Instruments
Amendments to FRSs : Improvements to FRSs (2010)

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

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 2010 was not subject to any qualification.

A3 Explanatory comments about the seasonality or cyclicality 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

There were no items affecting assets, liabilities, net income or cash flows that were unusual because of their nature, size or incidence for the current quarter and financial period ended 31 March 2011.

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 issuance, repurchase of debt and equity securities during the quarter. The number of Treasury Shares held as at 31 March 2011 is 2,998,000.

A7 Dividends paid

No dividend was paid in the current quarter under review.

A8 Segment reporting

In thousands of RM	**Segment Revenue**		**Segment Profit/(Loss) before tax**	
For the 3 months ended 31 March	**2011**	**2010**	**2011**	**2010**
Fertilizers	231,072	198,963	3,122	(6,498)
Chemicals	105,655	111,738	8,945	5,713
Pharmaceuticals	60,340	58,110	4,186	3,476
Others *	1,281	1,209	930	1,159
	398,348	370,020	17,183	3,850
Inter-segment transaction (*is eliminated*)	(660)	(1,338)	(2,613)	(789)
Group result	397,688	368,682	14,570	3,061

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

A9 Property, plant and equipment

Land and buildings were stated at Director's valuation based on professional valuations made by registed surveyor in December 2010.

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

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

	At 31 March 2011 **RM'000**	**At 31 March 2010** **RM'000**
Approved but not contracted for	53,800	38,407
Contracted but not provided for	21,445	29,919
	75,245	68,326

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 2011 increased by RM29 million or 7.9% as compared to the corresponding quarter last year as the increase is due to higher sales volume and average selling price for fertilizers and pharmaceuticals business segments. The increase is contributed by fertilizers of RM32 million and RM2 million for pharmaceuticals. Consolidated Group profit before tax for the first quarter ended 31 March 2011 of RM14.5 mil is higher compared to the same quarter last year.

In line with improvement in Group revenue, year-to-date Group profit before tax surged by 376% to RM14.5 mil as compared to same period last year of RM3.0 mil.

Turnover for Fertilizers division for the period ended 31 March 2011 was 16.1% higher than the last year.This was due to higher sales volume and favourable product mix. Segment profit before tax contributed a profit of RM3.1 million compared to a loss of RM6.5 million reported in the same period last year.

Revenue for the Chemicals division for the period ended 31 March 2011 decreased by 5.4% against the last year while segment profit before tax contributed a profit of RM8.9 million compared to RM5.7 million in the same period last year. The decreased in the Division's Turnover was partly due to the lower contribution from the water system business segment. However, this was mitigated by a higher sales price for the manufactured products during the quarter under review. This higher price impact on manufactured products as well as the higher share of the associated company's results have contributed to the higher profit before tax for the Division.

The Pharmaceuticals division recorded a higher turnover of 3.8% for the quarter under review compared to the same quarter last year. Accordingly, profit before tax for the division was 20% higher as compared to the same quarter last year. The increase was due to higher margin for local private market customer.

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

Consolidated Group revenue decreased by 13.5% from RM459 million in preceeding quarter to RM397 million in current quarter. This was mainly due to lower contribution from all Divisions due to shorter business period in Q1 2001 and planned shut down of Fertilizer plants in Shah Alam and Bintulu..

Accordingly, Consolidated Group profit before tax decreased by 28.6% from RM20.3 million to RM14.5 milllion. This was mainly due to lower contribution from Fertilizers and Pharmaceuticals Divisions in the current quarter under review.

B3 Prospects for the remainder of current financial year

As the Malaysian economy is expected to grow between 5% to 6% in 2011, and coupled with improving consumer and business sentiment, the Group's current year prospects are expected to be positive. For the current financial year, the Group is expected to increase its focus on sustaining and enhancing its business profitability by improving production efficiency and implementing better cost control across all of its business division.

Demand for and prices of fertilizers are expected to remain strong for the rest of the year. Despite the increase in commodity prices that exert constant pressure on the cost of raw material, the Division is expected to deliver adequate performance in line with last year's results. In addition, with a new plant expected to come on stream in the second half of the year, the Fertilisers Division will continue to contribute significantly to both its revenue and profit performances for the year.

In the Chemicals division, the manufacturing segment is benefitting from the increasing commodity prices. The current uptrend is expected to assist the Division in restoring and delivering better margins compared to the previous year's result.

For Pharmaceuticals, although the Division's performance is partly dependent on the outcome of tenders submitted to the Ministry of Health, the current improvement in the economy and standard of living is anticipated to fuel the demand for our over the-counter products. In addition, rigorous efforts and research are carried out to penetrate and develop new markets to increase its revenue and deliver consistent performance.

Overall, barring unforeseen circumstances, the Group is expected to achieve satisfactory performance for the financial year ending 31 December 2011.

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:

	Current Quarter 31 March 2011 RM'000	Current Period 31 March 2011 RM'000
Taxation		
In respect of profit for the year	5,139	5,139
Transfer from deferred tax	237	237
	5,376	5,376

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 31 March 2011 were as follows:

	At 31 March 2011 RM'000	At 31 March 2010 RM'000
Short term borrowings		
Unsecured	433,515	359,724
Long term borrowings		
Unsecured	363,787	465,462

B10 Off Balance Sheet Financial Instruments

The Group did not have any financial instrument with off balance sheet risks as at the date of this report.

B11 Earnings per share

	Current Quarter 31 March 2011	Current Period 31 March 2011
a) Basic Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	6,200	6,200
Issued ordinary shares at beginning of the quarter/year ('000)	404,741	404,741
Effects of shares issued ('000)	-	-
Weighted average number of ordinary shares ('000) at ending of the quarter/year	404,741	404,741
Basic earnings per share (sen)	1.53	1.53

B11 Earnings per share (continued)

b) Diluted Earnings Per Share:-

Profit after tax and minority shareholders' interests (RM'000)	6,200	6,200
After tax effect of notional interest savings (RM'000)	-	-
Adjusted profit after tax and minority shareholders' interests (RM'000)	6,200	6,200
Weighted average number of ordinary shares ('000) at ending of the quarter/year	404,741	404,741
Effect of warrants (B) ('000)	57,105	57,105
Weighted average number of ordinary shares - diluted ('000) at ending of the quarter/year	461,846	461,846
Diluted earnings per share (sen)	1.34	1.34

B12 Dividend

No dividend is proposed for the current quarter under review.

B13 <u>Economic Profit ("EP") Statement</u>

	Current Quarter 31 March		**Current Period 31 March**	
In thousands of RM	**2011**	**2010**	**2011**	**2010**
Net operating profit after tax ("NOPAT") computation:				
Earnings before interest and tax ("EBIT")	21.5	9.0	21.5	9.0
Adjusted tax	(5.4)	(2.3)	(5.4)	(2.3)
NOPAT	**16.1**	**6.7**	**16.1**	**6.7**
Economic charge computation:				
Average invested capital	1,471.6	1,549.6	1,471.6	1,549.6
Weighted average cost of capital ("WACC') (%)	5.36%	5.16%	5.36%	5.16%
Economic charge	**19.7**	**20.0**	**19.7**	**20.0**
Economic loss	**(3.6)**	**(13.3)**	**(3.6)**	**(13.3)**

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. The group recorded an economic loss of RM3.6 million for the current quarter.

B14 Material litigation

There was no pending material litigation as at the date of the report.

B15 Disclosure of Realised and Unrealised

	Current Quarter 31 March 2011 RM'000	**Immediate preceeding Quarter 31 December 2010 RM'000**
Total retained profits of CCM Berhad and its subsidiaries:		
- Realised	269,835	260,066
- Unrealised	7,664	7,571
Total	277,499	267,637

B16 Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 May 2011.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)
Company Secretary
27 May 2011