



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

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 30 June 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 30 June 2011 is 2,998,000. During the quarter, share capital and share premium increased by RM8,000 and RM3,000 respectively due to the conversion of 8,000 warrants.

A7 Dividends paid

No dividend was paid in the current quarter under review.

A8 Segment reporting

<i>In thousands of RM</i>	Segment Revenue		Segment Profit/(Loss) before tax	
	2011	2010	2011	2010
<i>For the 6 months ended 30 June</i>				
Fertilizers	471,451	427,388	5,284	(4,175)
Chemicals	215,871	230,466	21,925	12,449
Pharmaceuticals	125,208	122,834	11,984	7,638
Others *	55,768	13,346	54,368	10,896
	868,298	794,034	93,561	26,808
Inter-segment transaction (<i>is eliminated</i>)	(55,187)	(2,373)	(58,645)	(10,044)
Group result	813,111	791,661	34,916	16,764

* 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 registered surveyor in December 2010.

A10 Post balance sheet events

On 1st August 2011, the Company received the Securities Commission approval to issue an unquoted 5-year Sukuk Musyarakah amounting to RM120 million to refinance a Bridger Loan of similar amount raised in previous quarter. 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 2011.

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 2011.

	At 30 June 2011 RM'000	At 30 June 2010 RM'000
Approved but not contracted for	46,950	45,658
Contracted but not provided for	33,375	26,629
	<u>80,325</u>	<u>72,287</u>

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

B1 Review of Performance

Consolidated Group revenue for the second quarter ended 30 June 2011 has decreased by RM7.5 million or 1.7% as compared to the corresponding quarter last year due to lower sales from the Chemicals business segment. Nonetheless, consolidated Group profit before tax of RM20.3 million for the current quarter is still higher compared with the same quarter last year of RM13.7 million. The improvement in profit before tax was primarily due to higher profit margin contribution from Chemicals and Pharmaceuticals business divisions in the current quarter.

The year to date, Group total revenue of RM813.1 million has improved by 2.7% as compared with the same corresponding period last year. The increase was mainly due to higher sales in Fertilizers and Pharmaceuticals Businesses. Consequently, the Group profit before tax of RM34.9 million out-performed the earnings for the same period last year by a substantial 108%, spurred mainly by better profit margin across all of its revenue streams.

The turnover for the Fertilizers Division for the period ended 30 June 2011 was 10.3% higher compared with the same period last year due to higher sales volume. Correspondingly, segment profit before tax improved to RM5.2 million compared with a loss of RM4.1 million against the same period last year due to better cost control.

As for the Chemicals Division, despite the 6.3% decline in the revenue to date, the segment profit before tax has improved to RM21.9 million compared with RM12.4 million in the same period last year. The key contributors to the higher profit before tax were higher prices on the Division's manufactured products as well as higher profit from an associated company.

The Pharmaceuticals Division recorded a slight improvement of 1.9% in its turnover for the period under review compared with the same period last year. Despite the small growth, profit before tax for the Division increased by 56.9% for the period due to better margins from the local private market and export products.

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

The consolidated Group revenue of RM415.4 million, represented a 4.4% increase as compared with the preceding quarter. This was mainly due to higher contribution from all Divisions. The consolidated Group profit before tax increased by 39% from RM14.6 million to RM20.3 million due to higher profit margin from Chemicals and Pharmaceuticals divisions.

B3 Prospects for the remainder of current financial year

The global economy is expected to remain uncertain due to the impact of the recent downgrade of the United States of America long-term sovereign credit rating and the lingering European debt crisis. These could lead to lower demand and suppress prices of the Group's products. In view of these, the Group will increase its focus on sustaining and enhancing its business profitability by improving its production efficiency, better cost control and better management of its product sales mix across all of its business to maintain margins .

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 30 June 2011 RM'000	Current Period 30 June 2011 RM'000
Taxation		
In respect of profit for the year	10,137	15,276
Transfer from deferred tax	(1,711)	(1,474)
	8,426	13,802

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 2011 were as follows:

	At 30 June 2011 RM'000	At 30 June 2010 RM'000
Short term borrowings		
Unsecured	634,759	360,496
Long term borrowings		
Unsecured	307,431	474,325

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 30 June 2011	Current Period 30 June 2011
a) Basic Earnings Per Share:-		
Profit after tax and minority shareholders' interests (RM'000)	6,597	12,797
Issued ordinary shares at beginning of the quarter/year ('000)	404,741	404,741
Effects of shares issued ('000)	8	8
Weighted average number of ordinary shares ('000) at ending of the quarter/year	404,749	404,749
Basic earnings per share (sen)	1.63	3.16

B11 Earnings per share (continued)

b) Diluted Earnings Per Share:-

Profit after tax and minority shareholders' interests (RM'000)	6,597	12,797
After tax effect of notional interest savings (RM'000)	-	-
Adjusted profit after tax and minority shareholders' interests (RM'000)	6,597	12,797
Weighted average number of ordinary shares ('000) at ending of the quarter/year	404,749	404,749
Effect of warrants (B) ('000)	55,321	55,321
Weighted average number of ordinary shares - diluted ('000) at ending of the quarter/year	460,070	460,070
Diluted earnings per share (sen)	1.43	2.78

B12 Dividend

No dividend is proposed for the current quarter under review.

B13 Economic Profit ("EP") Statement

<i>In thousands of RM</i>	Current Quarter 30 June		Current Period 30 June	
	2011	2010	2011	2010
<u>Net operating profit after tax ("NOPAT") computation:</u>				
Earnings before interest and tax ("EBIT")	30.6	22.0	52.1	31.0
Adjusted tax	(7.6)	(5.5)	(13.0)	(7.7)
NOPAT	23.0	16.5	39.1	23.3
<u>Economic charge computation:</u>				
Average invested capital	1,535.4	1,565.8	1,535.4	1,565.8
Weighted average cost of capital ("WACC") (%)	4.92%	5.21%	4.92%	5.21%
Economic charge	18.9	20.4	37.8	40.8
Economic profit/(loss)	4.1	(3.9)	1.3	(17.5)

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 profit of RM4.1 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 30 June 2011 RM'000	Immediate preceeding Quarter 31 March 2011 RM'000
Total retained profits of CCM Berhad and its subsidiaries:		
- Realised	274,715	269,835
- Unrealised	9,372	7,664
Total	284,087	277,499

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 19 August 2011.

By Order of the Board

NOOR AZWAH SAMSUDIN (LS0006071)

Company Secretary

19 August 2011

