

NOTES TO THE FINANCIAL STATEMENTS

Amounts in RM'000 unless otherwise stated

Chemical Company of Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:-

Principal place of business and registered office

13th Floor
Menara PNB
201-A, Jalan Tun Razak
50400 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2015 do not include other entities.

Chemical Company of Malaysia Berhad is an investment holding and management company with subsidiaries engaged in the manufacturing and marketing of pharmaceuticals, chemicals and fertilizers and services as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

The holding company is Permodalan Nasional Berhad (“PNB”), a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 23 March 2016.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:-

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plans to apply the abovementioned accounting standards, amendments and interpretations:-

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, Amendments to MFRS 11 and Amendments to MFRS 119 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:-

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in the following note:-

- Note 3 - valuation of property, plant and equipment
- Note 4 - valuation of investment properties
- Note 5 - measurement of the recoverable amounts of cash-generating units
- Note 7 - investment in subsidiaries
- Note 10 - deferred tax assets/liabilities
- Note 11 - valuation of trade receivables
- Note 17 - provisions for warranties

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:-

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Acquisitions from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Associates (continued)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to RM at the exchange rate at the end of the reporting period. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the end of the reporting period.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(ii) Operation denominated in functional currencies other than Ringgit Malaysia (continued)

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:-

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(c) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leasehold assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:-

• Leasehold land	48 years to 96 years
• Freehold building	50 years
• Long and short term leasehold building	10 years to 50 years
• Plant, machinery and equipment	2 years to 13 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, which forms part of the carrying amount of the equity-accounted associates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment loss.

(iii) Brand name

Brand name is stated at cost less any accumulated impairment losses. Brand name has an indefinite use life as it is maintained through continuous marketing and upgrading.

(iv) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(vi) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less cost of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or the cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(n) Provisions

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(r) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(s) Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(u) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingencies (continued)

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(v) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Group									
Cost									
At 1 January 2014		120,813	26,609	73,779	147,218	18,841	702,156	1,795	1,091,211
Additions		-	183	1,151	560	-	37,830	2,172	41,896
Transfers		-	-	-	1,258	-	-	(1,258)	-
Transfer to intangible assets		-	-	-	-	-	-	(2,001)	(2,001)
Disposals		-	-	-	-	-	(1,594)	-	(1,594)
Write-off		-	-	-	-	-	(1,244)	-	(1,244)
Effect of movements in exchange rates		-	-	-	-	1,062	1,722	-	2,784
At 31 December 2014/ 1 January 2015		120,813	26,792	74,930	149,036	19,903	738,870	708	1,131,052
Additions		-	-	243	17	20	33,552	11,684	45,516
Transfer from investment properties	4	-	11,500	-	-	-	-	-	11,500
Transfer to intangible assets	5	-	-	-	-	-	-	(2,730)	(2,730)
Transfer to assets held for sale	14	(20,333)	-	-	(63,184)	(19,923)	(88,009)	(1,132)	(192,581)
Disposals		-	-	-	(365)	-	(5,935)	-	(6,300)
Write-off		-	-	-	-	-	(511)	-	(511)
At 31 December 2015		100,480	38,292	75,173	85,504	-	677,967	8,530	985,946

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Group									
Depreciation and impairment loss									
At 1 January 2014		10,231	–	7,739	18,232	7,085	469,618	–	512,905
Depreciation for the year		1,862	–	1,126	4,875	79	46,875	–	54,817
Impairment loss	3.1	–	–	–	–	11,629	12,457	–	24,086
Disposals		–	–	–	–	–	(1,584)	–	(1,584)
Write-off		–	–	–	–	–	(1,220)	–	(1,220)
Effect of movement in exchange rates		–	–	–	–	205	1,125	–	1,330
At 31 December 2014/ 1 January 2015									
Accumulated depreciation		12,093	–	8,865	23,107	7,369	514,814	–	566,248
Accumulated impairment loss		–	–	–	–	11,629	12,457	–	24,086
		12,093	–	8,865	23,107	18,998	527,271	–	590,334
Depreciation for the year		307	–	3,219	4,810	281	45,493	–	54,110
Impairment loss	3.1	–	–	–	22,473	–	15,131	–	37,604
Transfer to assets held for sale	14	(2,388)	–	–	(39,906)	(19,279)	(74,898)	–	(136,471)
Disposals		–	–	–	(35)	–	(5,235)	–	(5,270)
Write-off		–	–	–	–	–	(305)	–	(305)
At 31 December 2015									
Accumulated depreciation		10,012	–	12,084	10,449	–	507,457	–	540,002
Accumulated impairment loss		–	–	–	–	–	–	–	–
		10,012	–	12,084	10,449	–	507,457	–	540,002
Carrying amounts									
At 1 January 2014		110,582	26,609	66,040	128,986	11,756	232,538	1,795	578,306
At 31 December 2014/ 1 January 2015									
		108,720	26,792	66,065	125,929	905	211,599	708	540,718
At 31 December 2015									
		90,468	38,292	63,089	75,055	–	170,510	8,530	445,944

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Equipment	Under construction	Total
Company			
Cost			
At 1 January 2014	36,295	314	36,609
Additions	1,213	–	1,213
Transfers	314	(314)	–
Disposals	(8)	–	(8)
Write-off	(3)	–	(3)
At 31 December 2014/1 January 2015	37,811	–	37,811
Additions	466	–	466
Disposals	(216)	–	(216)
Write-off	(11)	–	(11)
At 31 December 2015	38,050	–	38,050
Depreciation			
At 1 January 2014	11,475	–	11,475
Depreciation for the year	3,549	–	3,549
Disposals	(6)	–	(6)
At 31 December 2014/1 January 2015	15,018	–	15,018
Depreciation for the year	3,624	–	3,624
Disposals	(56)	–	(56)
Write off	(1)	–	(1)
At 31 December 2015	18,585	–	18,585
Carrying amounts			
At 1 January 2014	24,820	314	25,134
At 31 December 2014/1 January 2015	22,793	–	22,793
At 31 December 2015	19,465	–	19,465

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Impairment loss

During the financial year, the cessation of the production of its manufacturing plants and continuous losses in Fertilizers segment caused the Group to assess the recoverable amount of the related leasehold buildings and plant, machinery and equipment. The Group tested the related assets for impairment and recognised an impairment loss of RM22,473,000 (2014: RM11,629,000) and RM15,131,000 (2014: RM11,011,000) with respect to leasehold buildings and plant, machinery and equipment.

3.2 Leasehold land

At 31 December 2015, the net carrying amount of the Group's leasehold land was RM90,468,000 (2014: RM108,720,000). Leasehold land of the Group has an unexpired lease period of 24 to 84 years.

3.3 Change in estimate

During the financial year, the Group decided to construct a new Oral Solid Dosage ("OSD") plant to replace its current plant. Consequently, the Group conducted an operational efficiency review of its current plant and certain machinery and equipment, whereby they are now expected to remain in use for another 5 years. As a result, the expected useful lives of these assets decreased and the effect of these changes on depreciation expense in current and future periods is as follows:-

	2015	2016	2017	2018	2019	Later
Increase/(decrease) in depreciation expense	1,609	1,609	1,609	1,609	1,609	(8,045)

4. INVESTMENT PROPERTIES

	Note	Group		Company	
		2015	2014	2015	2014
At 1 January		31,140	30,940	113,530	111,030
Additions		75	–	75	–
Change in fair value recognised in profit or loss		5,755	200	28,115	2,500
Transfer to property, plant and equipment	3	(11,500)	–	–	–
Transfer to assets classified as held for sale	14	–	–	(13,600)	–
At 31 December		25,470	31,140	128,120	113,530
Included in the above are:-					
At fair value					
Freehold land		220	11,640	5,440	4,040
Leasehold land with unexpired lease period of more than 50 years		20,800	15,300	112,500	83,800
Leasehold land with unexpired lease period of less than 50 years		4,450	4,200	–	13,500
Buildings		–	–	10,180	12,190
At 31 December		25,470	31,140	128,120	113,530

During the financial year:-

- (i) a freehold land has been transferred from investment property to property, plant and equipment (see Note 3), since the freehold land will be used by one of the subsidiary of the Company as warehouse for its plant.
- (ii) a leasehold land has been transferred from investment property to assets classified as held for sale (see Note 14), since the leasehold land will be part of a disposal group.

Investment properties of the Group and the Company comprise a number of commercial properties that are leased to third party and subsidiaries. Each of the leases contains an initial non-cancellable period of one month to one year, with annual rents subject to independent valuation. Subsequent renewals are negotiated with the lessee and on average renewal periods are one to three years. No contingent rents are charged.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. INVESTMENT PROPERTIES (CONTINUED)

The following are recognised in profit or loss in respect of investment properties:-

	Group		Company	
	2015	2014	2015	2014
Rental income				
Direct operating expenses:	-	-	5,196	5,428
- income generating investment properties	-	-	748	785
- non-income generating investment properties	47	86	-	-

4.1 Fair value information

Fair value of investment properties are categorised as follows:-

	Level 2	Level 3	Total
2015			
Group			
Freehold land	-	220	220
Leasehold land with unexpired lease period of more than 50 years	-	20,800	20,800
Leasehold land with unexpired lease period of less than 50 years	-	4,450	4,450
	-	25,470	25,470
Company			
Freehold land	-	5,440	5,440
Buildings	-	10,180	10,180
Leasehold land with unexpired lease period of more than 50 years	-	112,500	112,500
	-	128,120	128,120

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information (continued)

	Level 2	Level 3	Total
2014			
Group	–	11,640	11,640
Freehold land			
Leasehold land with unexpired lease period of more than 50 years	–	15,300	15,300
Leasehold land with unexpired lease period of less than 50 years	–	4,200	4,200
	–	31,140	31,140
Company			
Freehold land	–	4,040	4,040
Buildings	–	12,190	12,190
Leasehold land with unexpired lease period of more than 50 years	–	83,800	83,800
Leasehold land with unexpired lease period of less than 50 years	–	13,500	13,500
	–	113,530	113,530

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:-

	Group		Company	
	2015	2014	2015	2014
At 1 January	31,140	30,940	113,530	111,030
Addition	75	–	75	–
Transfer to property, plant and equipment	(11,500)	–	–	–
Transfer to assets classified as held for sale	–	–	(13,600)	–
Change in fair value				
- other income - unrealised	5,755	200	28,115	2,500
At 31 December	25,470	31,140	128,120	113,530

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method of valuation which entails comparing the property with similar properties that were sold recently and those that are currently offered for sale in the vicinity.	Recent transactions of similar properties at or near reporting period with similar land usage, land size and location. The characteristics, merits and disadvantages of these properties are noted and diligent adjustments thereof are then made by valuer to reflect the differences and to arrive at the value of the property.	The estimated fair value would increase/(decrease) if recent transactions of similar properties at or near reporting period with similar land usage, land size and location were higher (lower).

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties are determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the locations and category of properties being valued. The valuation company provides the fair value of the Group's investment properties portfolio every twelve months. Changes in Level 3 fair values are analysed by the management every twelve months after obtaining valuation report from the valuation company.

Highest and best use

The Group's investment properties are currently freehold and leasehold land and buildings. The highest and best use of the properties should be properties located nearby the Group's investment properties.

5. INTANGIBLE ASSETS

	Goodwill	Marketing rights	Trade marks	Brands	Development cost	Total
Group						
Cost						
At 1 January 2014	306,745	15,787	63	4,000	1,062	327,657
Transfer from property, plant and equipment	–	–	–	–	2,001	2,001
At 31 December 2014/ 1 January 2015	306,745	15,787	63	4,000	3,063	329,658
Additions	–	696	–	–	915	1,611
Disposal	–	–	–	(1,600)	–	(1,600)
Transfer from property, plant and equipment	–	–	–	–	2,730	2,730
At 31 December 2015	306,745	16,483	63	2,400	6,708	332,399
Accumulated impairment loss						
At 1 January 2014/ 31 December 2014/ 1 January 2015/ 31 December 2015	22,980	15,787	–	800	–	39,567
Carrying amounts						
At 1 January 2014	283,765	–	63	3,200	1,062	288,090
At 31 December 2014/ 1 January 2015	283,765	–	63	3,200	3,063	290,091
At 31 December 2015	283,765	696	63	1,600	6,708	292,832
Company						Trademark
Cost/Carrying amount						
At 1 January 2014/31 December 2014/1 January 2015/31 December 2015						63

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INTANGIBLE ASSETS (CONTINUED)

5.1 Material intangible assets

Goodwill

The carrying amount of the goodwill of subsidiaries in the pharmaceutical and chemical segments, arising from acquisition through business combination, was assessed for impairment during the year.

Marketing rights

- (i) The carrying amount of marketing rights amounting to RM nil (2014: nil) represents the sole and exclusive right to market and sell to the region of Asia, excluding Japan, Pneumococcal Vaccine developed by Synergy America, Inc., a company incorporated in the United States of America, in which the Group has interests. The products have yet to be fully commercialised at year end.

The Group has assessed the carrying amount of the marketing rights and full impairment loss of RM15,787,000 was recognised in the financial year ended 31 December 2013 as the Group anticipated that the marketing rights will not be recovered through future commercial activity.

- (ii) The carrying amount of marketing rights amounting to RM696,000 (2014: nil) represents the sole and exclusive right to market and sell Insulin Glargine Pen developed by Biocon SA, a company incorporated in India. The products have yet to be fully commercialised at year end.

Brands

The carrying amount of brands represents the acquisition of the brand name of the over-the-counter products. The Group has not amortised the brand as the Group is of the opinion that the brands have indefinite useful lives. It is reasonably anticipated that the brands will be recovered through future commercial activity.

Development cost

The carrying amount of development costs represents costs incurred to jointly conduct clinical trials with its technology partner, for the purpose of commercialisation of biosimilar products. The Group will hold the exclusive commercialisation rights for product marketing and distribution in Malaysia, Singapore and Brunei, as well as the exclusive and perpetual royalty-free license to use the technical information. The products have yet to be fully commercialised at financial year-end. The Group is of the opinion that the marketing rights have indefinite useful lives. The management made an assumption that the development costs will be recovered through future commercial activity when the products are fully commercialised in the future.

5. INTANGIBLE ASSETS (CONTINUED)

5.2 Amortisation and impairment charge

Amortisation and impairment is allocated and recognised in the statements of profit or loss and other comprehensive income as amortisation cost and impairment loss.

5.3 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:-

	2015	Group 2014
A subsidiary in pharmaceuticals division	189,658	189,658
Subsidiaries in chemicals division	94,107	94,107
	283,765	283,765

The recoverable amounts of the goodwill arising from consolidations were based on value in use of the investment in the respective subsidiaries ("the subsidiaries"), determined by discounting future cash flow based on financial budgets approved by management.

The value in use was determined by discounting the future cash flows based on the following key assumptions:-

- (a) Cash flows were projected based on past experience, actual operating results and 3 years (2014: 3 years) budget. Cash flows for a further 2 years (2014: 2 years) period were extrapolated using a growth rate of 8 percent (2014: 4 percent) for the subsidiary of pharmaceuticals division and 5 percent growth rate (2014: 4 to 5 percent) for subsidiaries of chemicals division. Management believes that these 5 years (2014: 5 years) forecast period was justified due to the long term nature of the businesses.
- (b) The anticipated growth rate for revenue was projected in accordance with the Group's 3 years (2014: 3 years) budget and subsequently projected based on growth rate as stated in note (a) above.
- (c) A pre-tax discount rate of 7.38 percent (2014: 8.60 percent). The discount was estimated based on the respective subsidiaries' weighted average cost of capital ("WACC").

The key assumptions represent the Group's and the Company's assessment of future trends in the pharmaceutical and chemical industries and are based on both external and internal sources of historical data.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. PREPAID LEASE PAYMENTS

	Note	Unexpired leasehold land with period less than 50 years	
		2015	2014
Group			
Cost			
At 1 January		8,849	8,849
Transfer to assets held for sale	14	(8,849)	–
At 31 December		–	8,849
Amortisation			
At 1 January		3,492	3,105
Amortisation for the year		387	387
Transfer to assets held for sale	14	(3,879)	–
At 31 December		–	3,492
Carrying amounts			
At 1 January		5,357	5,744
At 31 December		–	5,357

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	2014
At cost:		
Unquoted shares	262,035	366,896
Less: Accumulated impairment loss	(44,788)	(5,935)
	217,247	360,961

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:-

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2015 %	2014 %
CCM Agri-Max Sdn. Bhd. and its subsidiaries:	Malaysia	Trading of wide range of fertilizers	100.0	100.0
CCM Fertilizers Sdn. Bhd. and its subsidiary:	Malaysia	Manufacture and marketing of a wide range of fertilizers	50.1	50.1
Max Agriculture Sdn. Bhd.	Malaysia	Dormant	50.1	50.1
CCM Agriculture (Sabah) Sdn. Bhd.	Malaysia	Manufacturing and marketing of wide range of fertilizers	100.0	100.0
CCM Agriculture Sdn. Bhd.	Malaysia	Manufacturing and marketing of wide range of fertilizers	100.0	100.0
CCM Usaha Kimia (M) Sdn. Bhd. and its subsidiaries:	Malaysia	Trading as an agent and in its own right in chemicals and other commodities	100.0	100.0
CCM Water Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Innovative Solutions Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacturing and selling of industrial and hydrogel coating products	100.0	100.0
Innovative Polymer Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Delta Polymer Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Chemicals Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of chlor-alkali and coagulant products and marketing of industrial and specialty chemicals	80.0	80.0
CCM Watercare Sdn. Bhd.	Malaysia	Dormant	80.0	80.0
CCM Singapore Pte. Ltd. *	Singapore	Marketing of chlor alkali and coagulant products	80.0	80.0
CCM Chemtrans Sdn. Bhd. ^	Malaysia	Dormant	-	80.0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2015 %	2014 %
CCM Chemtrade Sdn. Bhd. ^	Malaysia	Dormant	–	80.0
P.T. CCM Indonesia *	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	80.0	80.0
Innovative Resins Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0
CCM Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
Euphorex Corporation Sdn. Bhd. ^	Malaysia	Dormant	–	100.0
Liberal Wira Sdn. Bhd. ^	Malaysia	Dormant	–	100.0
Usaha Progresif Sdn. Bhd. ^	Malaysia	Dormant	–	100.0
CCM Duopharma Biotech Berhad and its subsidiaries:	Malaysia	Investment holding	73.4	73.4
Duopharma (M) Sdn. Bhd.	Malaysia	Manufacturer, distributor, importer and exporter of pharmaceutical products and medicines	73.4	73.4
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	Malaysia	Contract manufacturing of pharmaceutical products and sales of medicines	73.4	100.0
CCM Pharma Sdn. Bhd.	Malaysia	Property management and services	73.4	100.0
Innovax Sdn. Bhd.	Malaysia	Research and development of pharmaceutical products	73.4	100.0

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2015 %	2014 %
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing and sales of medicine and pharmaceutical products	73.4	100.0
CCM Biopharma Sdn. Bhd.	Malaysia	Dormant	73.4	100.0
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	73.4	100.0
Unique Pharmacy (Ipoh) Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	73.4	100.0
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	73.4	100.0
Negeri Pharmacy Sdn. Bhd.	Malaysia	Dormant	73.4	100.0
CCM International (Philippines), Inc. *	Republic of Philippines	Distribution, importing and exporting of pharmaceuticals and chemicals product	73.4	100.0
CCM Pharmaceuticals (S) Pte. Ltd. *	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	73.4	100.0
CCM Investments Limited **	British Virgin Islands	Investment holding	100.0	100.0
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
P.T. CCM Agripharma *	Indonesia	Trading of fertilizers	100.0	100.0
CCM Siam Ltd. *	Thailand	Dormant	100.0	100.0
Yayasan CCM (Limited by Guarantee)	Malaysia	To receive and administer funds for education and charitable purposes	100.0	100.0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

* Not audited by members firms of KPMG International.

** Not required to be audited and consolidated based on unaudited financial statements.

^ In liquidation and consolidated based on unaudited financial statements for the financial year ended 31 December 2014 and was dissolved during the financial year ended 31 December 2015.

7.1 During the year, the Group completed the following internal restructuring exercises:-

- (i) disposal of 8,000,000 ordinary shares of RM1.00 each in CCM Pharmaceuticals Sdn. Bhd., representing 100% of its issued and paid-up share capital, by Chemical Company of Malaysia Berhad (“CCMB”) to CCM Duopharma Biotech Berhad (“CCMD”) for a cash consideration of RM17,599,000, together with the settlement of advances due to CCMB amounting to RM10,256,000 based on 30 September 2014 balances;
- (ii) disposal of 3,300,000 ordinary shares of RM1.00 each in CCM Pharma Sdn. Bhd., representing 100% of its issued and paid-up share capital by CCMB to Duopharma (M) Sdn. Bhd. (“DMSB”) for a cash consideration of RM34,942,000, together with the settlement of advances due to CCMB amounting to RM16,337,000 based on 30 September 2014 balances;
- (iii) disposal of the entire enlarged ordinary shares in CCM International (Philippines) Inc. (“CCMIP”), including 5 ordinary shares held on trust by five Directors of CCMIP for the benefit of CCM Investments Ltd. (“CCMIL”), a wholly-owned subsidiary of CCMB, representing 100% of its issued and paid-up share capital, by CCMIL, to CCMD for a cash consideration of RM1,000;
- (iv) disposal of 1,600,000 ordinary shares of Singapore Dollar 1.00 each in CCM Pharmaceuticals (S) Pte. Ltd., representing 100% of its issued and paid-up share capital, by CCM International Sdn. Bhd., a wholly-owned subsidiary of CCMB, to CCMD for a cash consideration of RM2,417,000, together with the settlement of advances due to CCMB amounting to RM27,000 based on 30 September 2014 balances;
- (v) disposal of 30,000,000 ordinary shares of RM1.00 each in UPHA Pharmaceutical Manufacturing (M) Sdn. Bhd., representing 100% of its issued and paid-up share capital, by CCMB to DMSB for a cash consideration of RM78,365,000, together with the settlement of advances due to CCMB amounting to RM84,779,000 based on 30 September 2014 balances; and
- (vi) disposal of 200,000 ordinary shares of RM1.00 each in Innovax Sdn. Bhd., representing 100% of its issued and paid-up share capital, by CCMB to CCMD for a cash consideration of RM1,000, together with the settlement of advances due to CCMB amounting to RM399,000 based on 30 September 2014 balances.

The above transactions were completed on 27 May 2015.

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.2 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:-

	CCM Fertilizers Sdn. Bhd. and its subsidiary	CCM Duopharma Biotech Berhad and its subsidiaries	CCM Chemicals Sdn. Bhd. and its subsidiaries	Total
2015				
NCI percentage of ownership interest and voting interest	49.90%	26.63%	20.00%	
Carrying amount of NCI	31,739	120,045	26,797	178,581
(Loss)/Profit allocated to NCI	(19,602)	9,691	(869)	(10,780)
Summarised financial information before intra-group elimination				
As at 31 December				
Non-current assets	511	279,104	98,149	
Current assets	153,992	354,342	158,796	
Non-current liabilities	-	(109,016)	(51,584)	
Current liabilities	(90,898)	(74,712)	(71,377)	
Net assets	63,605	449,718	133,984	
Year ended 31 December				
Revenue	290,988	269,794	209,225	
(Loss)/Profit for the year	(39,282)	36,391	(4,345)	
Total comprehensive (loss)/income	(39,282)	35,669	(1,694)	
Cash flows (used in)/from operating activities	(29,096)	(50,872)	23,213	
Cash flows used in investing activities	(420)	(147,286)	(7,006)	
Cash flows from financing activities	21,672	324,087	39,456	
Net (decrease)/increase in cash and cash equivalents	(7,844)	125,929	55,663	
Dividends paid to NCI	-	8,358	-	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.2 Non-controlling interest in subsidiaries (continued)

	CCM Fertilizers Sdn. Bhd. and its subsidiary	CCM Duopharma Biotech Berhad and its subsidiary	CCM Chemicals Sdn. Bhd. and its subsidiaries	Total
2014				
NCI percentage of ownership interest and voting interest	49.90%	26.63%	20.00%	
Carrying amount of NCI	51,340	51,850	27,136	130,326
(Loss)/Profit allocated to NCI	(2,321)	9,394	18	7,091
Summarised financial information before intra-group elimination				
As at 31 December				
Non-current assets	13,006	115,623	106,112	
Current assets	136,463	106,879	101,950	
Non-current liabilities	(1,034)	(5,500)	(19)	
Current liabilities	(45,548)	(23,372)	(72,365)	
Net assets	102,887	193,630	135,678	
Year ended 31 December				
Revenue	361,928	176,961	211,421	
(Loss)/Profit for the year	(4,651)	35,275	91	
Total comprehensive (loss)/income	(4,651)	35,275	802	
Cash flows from operating activities	22,258	35,973	4,704	
Cash flows from/(used in) investing activities	19,502	(12,255)	(18,483)	
Cash flows (used in)/from financing activities	(48,700)	(24,294)	7,741	
Net decrease in cash and cash equivalents	(6,940)	(576)	(6,038)	
Dividends paid to NCI	1,788	6,386	1,184	

8. INVESTMENT IN ASSOCIATE

	2015	Group 2014
At cost:		
Unquoted shares	1,408	1,408
Share of post acquisition reserves	19,343	18,395
Dividend received from associate	(4,534)	(4,534)
	16,217	15,269

Details of a material associate is as follows:-

Name of associate	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest	
			2015 %	2014 %
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	Associate	36	36

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	2015	Group 2014
Summarised financial information		
Non current assets	4,428	4,779
Current assets	41,805	34,963
Non current liabilities	(373)	(5,366)
Current liabilities	(9,981)	(603)
Net assets	35,879	33,773
Total comprehensive income	2,106	3,791
Included in the total comprehensive income is:		
Revenue	36,632	36,336
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	16,146	15,198
Consolidated adjustments	71	71
Carrying amount in the statement of financial position	16,217	15,269
Group's share of results for the year ended 31 December		
Group's share of total comprehensive income	948	1,706

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. OTHER INVESTMENTS

	Unquoted	Quoted in Malaysia	Total
Group			
2015			
Non-current			
Available-for-sale financial assets	15,740	124	15,864
Market value of quoted investments	–	124	124
2014			
Non-current			
Available-for-sale financial assets	15,740	124	15,864
Market value of quoted investments	–	124	124
Company			
2015			
Non-current			
Available-for-sale financial assets	15,740	–	15,740
2014			
Non-current			
Available-for-sale financial assets	15,740	–	15,740

Note 9.1

Note 9.1

In 2014, the Company acquired 241,935 common shares and 161,290 redeemable cumulative convertible preference shares of Korea Won (“KRW”) 12,400 each representing 13.86% of the issued and paid up capital of PanGen Biotech Inc. (“PanGen”) for a total cash consideration of KRW 5 billion or equivalent to RM15,740,000. Pursuant to the Share Subscription Agreement between the Group, PanGen and some key shareholders of PanGen dated 26 December 2013, the Group will have exclusive rights in Malaysia, Singapore and Brunei for Biosimilar products developed by PanGen.

PanGen had subsequently conducted several capital raising and bonus issue exercises resulting in the Company holding an effective interest in PanGen of 11.62% comprising of 483,870 common shares and 332,580 redeemable cumulative convertible preference shares.

10. DEFERRED TAX (ASSETS)/LIABILITIES

Recognised deferred tax (assets) and liabilities

Deferred tax (assets) and liabilities are attributable to the following:-

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Group						
Property, plant and equipment	–	–	31,547	23,614	31,547	23,614
Provisions	(6,014)	(2,168)	–	–	(6,014)	(2,168)
Other temporary differences	(7,903)	(4,189)	5,307	5,553	(2,596)	1,364
Tax losses/tax incentives carry-forwards	(11,267)	(15,084)	–	–	(11,267)	(15,084)
Tax (assets)/liabilities	(25,184)	(21,441)	36,854	29,167	11,670	7,726
Set off of tax	17,558	9,878	(17,558)	(9,878)	–	–
Net tax (assets)/liabilities	(7,626)	(11,563)	19,296	19,289	11,670	7,726
Company						
Property, plant and equipment	–	–	4,539	5,650	4,539	5,650
Investment properties	–	–	3,340	3,221	3,340	3,221
Other temporary differences	(659)	(85)	4,842	3,432	4,183	3,347
Tax (assets)/liabilities	(659)	(85)	12,721	12,303	12,062	12,218
Set off of tax	659	85	(659)	(85)	–	–
Net tax (assets)/liabilities	–	–	12,062	12,218	12,062	12,218

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Deferred tax (assets) and liabilities have not been recognised in respect of the following items:-

	2015	Group 2014
Tax losses carry-forwards	(20,478)	(64,208)
Other temporary differences	(1,006)	(441)
	(21,484)	(64,649)

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Movement in temporary differences during the year

	At 1.1.2014	Recognised in profit or loss (Note 20)	At 31.12.2014/ 1.1.2015	Recognised in profit or loss (Note 20)	At 31.12.2015
Group					
Property, plant and equipment	16,328	7,286	23,614	7,933	31,547
Provisions	(6,986)	4,818	(2,168)	(3,846)	(6,014)
Other temporary differences	4,983	(3,619)	1,364	(3,960)	(2,596)
Tax losses/tax incentives carry-forwards	(4,373)	(10,711)	(15,084)	3,817	(11,267)
	9,952	(2,226)	7,726	3,944	11,670
Company					
Property, plant and equipment	6,235	(585)	5,650	(1,111)	4,539
Investment properties	3,091	130	3,221	119	3,340
Other temporary differences	2,673	674	3,347	836	4,183
	11,999	219	12,218	(156)	12,062

11. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2015	2014	2015	2014
Non-current					
Non-trade					
Amount due from subsidiaries	11.1	–	–	444,152	414,968
Total non-current		–	–	444,152	414,968
Current					
Trade					
Trade receivables	11.2	199,449	222,057	–	–
Non-trade					
Amount due from subsidiaries	11.3	–	–	151,262	134,029
Amount due from associate	11.3	57	45	41	37
Deposits		10,267	7,049	308	527
Other receivables		9,341	4,146	581	88
Prepayments		8,804	23,640	19	127
		28,469	34,880	152,211	134,808
Total current		227,918	256,937	152,211	134,808

11.1 The amount due from subsidiaries relates to advances which are unsecured, subject to interest of 4.24% per annum (2014: 4.35% per annum) and are not repayable over the next 12 months. The Company has recognised an impairment loss of RM65,065,000 (2014: RM82,128,000) with respect to its advances to subsidiaries during the year.

11.2 Included in the trade receivables as at 31 December 2015 are amount due from a significant investor that has influence over a subsidiary of RM473,000 (2014: RM19,941,000).

11.3 Included in non-trade amount due from subsidiaries as at 31 December 2015 are advances to subsidiaries of RM14,738,000 (2014: RM41,498,000) which are unsecured, subject to interest of 4.24% per annum (2014: 4.35%).

The remaining amount due from subsidiaries and associate are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. INVENTORIES

	Group	
	2015	2014
Raw materials	115,843	96,037
Work-in-progress	4,404	7,317
Finished goods	76,388	136,969
Spares and consumables	2,616	5,131
	199,251	245,454
Recognised in profit or loss:		
Inventories recognised as cost of sales	728,440	827,862
Write-down to net realisable value	12,626	10,507
Write-off of inventories	2,776	6,880

12.1 The write-down and write-off are included in cost of sales.

13. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2015	2014	2015	2014
Cash and bank balances		95,929	105,436	3,000	3,770
Deposits placed with financial institutions	13.1	117,629	102,776	33,165	77,537
Highly liquid investments with financial institutions	13.2	111,000	–	15,000	–
		324,558	208,212	51,165	81,307

13.1 Deposits placed with financial institutions

Included in the Group's deposits placed with financial institutions is RM15,000,000 (2014: nil) pledged for bank overdraft facility granted to a subsidiary. The tenure of the overdraft facility will be expiring on 17 March 2016.

13.2 Highly liquid investments with financial institutions

The Directors regard the highly liquid investments with financial institutions as cash and cash equivalents in view of its high liquidity and insignificant changes in value.

14. DISPOSAL GROUP HELD FOR SALE

In 2015, the Group committed to a plan to cease and scale down its Fertilizers operating segment. The decision is consistent with the Group's strategy to place greater focus on enhancing business profitability on its Pharmaceuticals and Chemicals segments and to exit business operations which have been consistently underperforming over the years. Part of the business operations under the Fertilizers operating segment is presented as a disposal group held for sale following the commitment of the Group's management to a plan to sell the disposal group. Efforts to sell the disposal group have commenced, and a sale is expected to be completed by end 2016.

At 31 December 2015, the assets and liabilities of the disposal group are as follows:-

		Group 2015
Assets classified as held for sale		
Property, plant and equipment	a	56,110
Prepaid lease payments	b	4,970
Inventories	c	66,868
Receivables	d	28,248
Current tax assets		187
Cash and cash equivalents		3,159
		<hr/> 159,542 <hr/>
Liabilities classified as held for sale		
Payables and accruals		14,577
Borrowings		70,730
Current tax liabilities		3
		<hr/> 85,310 <hr/>
		Company 2015
Assets classified as held for sale		
Investment property	e	13,600
		<hr/>

The carrying value of property, plant and equipment, prepaid lease payments and investment property are the same as its carrying value before it was being reclassified to current asset.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. DISPOSAL GROUP HELD FOR SALE (CONTINUED)

Note a

Property, plant and equipment held for sale comprise the following:-

	Note	Group 2015
Cost	3	192,581
Accumulated depreciation and impairment loss	3	(136,471)
		56,110

Note b

Prepaid lease payments held for sale comprise the following:-

	Note	Group 2015
Cost	6	8,849
Accumulated amortisation	6	(3,879)
		4,970

Note c

The inventories held for sale comprise raw materials, work-in-progress, finished goods and spares and consumables and are carried at cost.

Note d

Receivables are carried at cost less an impairment loss of RM6,512,000.

Note e

Investment property held for sale is a leasehold land leased to a subsidiary carried at fair value of RM13,600,000.

15. CAPITAL AND RESERVES

15.1 Share capital

	Group and Company			
	2015	2015	2014	2014
	Amount	Number of shares '000	Amount	Number of shares '000
Authorised:				
Ordinary shares of RM1 each	800,000	800,000	800,000	800,000
Issued and fully paid:				
Ordinary shares of RM1 each	457,630	457,630	457,630	457,630

15.2 Capital redemption reserve

The capital redemption reserve represent portion of its own shares purchased which was subsequently cancelled and an amount equivalent to their nominal value was transferred to the capital redemption reserves in accordance with the requirement of section 67A of the Companies Act, 1965.

15.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currency other than RM.

15.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

15.5 Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately prior to its reclassification as investment property.

15.6 Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 23 April 1998, approved the Company's plan to repurchase its own shares. The renewal of the authority for purchase of its own shares lapsed in 2004 and no further renewal was sought.

At 31 December 2015, the Group held 2,998,000 (2014: 2,998,000) of the Company's shares. There were no repurchase of issued share capital in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. CAPITAL AND RESERVES (CONTINUED)

15.7 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

16. LOANS AND BORROWINGS

	Note	Group		Company	
		2015	2014	2015	2014
Non-current - unsecured					
Sukuk Musyarakah	16.1	–	100,000	–	100,000
Term loan	16.2	454,379	–	300,570	–
		454,379	100,000	300,570	100,000
Current - unsecured					
Bankers' acceptances		34,770	44,228	–	–
Term loan	16.2	7,989	280,000	–	280,000
Revolving credit and trade facilities	16.3	35,958	169,775	–	40,000
Sukuk Musyarakah	16.1	100,000	–	100,000	–
		178,717	494,003	100,000	320,000

16.1 Unsecured Sukuk Musyarakah

On 8 August 2011, the Company issued RM120,000,000 nominal amount of 5 year fixed rate Unsecured and Unrated Sukuk Musyarakah ("USM") at 4.35% per annum. Some of the significant covenants of the USM are:-

Financial Covenants

The Company shall maintain the following ratios throughout the tenure of the USM.

- (i) the Finance to Equity Ratio of not more than 1.5 times
- (ii) the Profit/Interest Cover Ratio of at least 2 times

16. LOANS AND BORROWINGS (CONTINUED)

16.1 Unsecured Sukuk Musyarakah (continued)

Negative Covenants

The Company will not, without written consent from the Trustee first, had and obtained for the followings:-

- (i) create or permit to subsist any Security Interest over any of its present or future assets, other than those permitted by the financing document and Trust Deed.
- (ii) reduce its authorised and/or issued shares capital and except for any decrease in its issued capital resulting from purchase or cancellation of its own shares pursuant to Section 67A of the Companies Act 1965.
- (iii) add, delete, vary or amend its Memorandum or Articles of Association in a manner inconsistent of the Financing Document other than those permitted by the Financing Document and Trust Deed.
- (iv) dispose any assets in excess of 25% of the Group's net assets (as reflected in the latest consolidated annual audited financial statements) in any financial year other than those permitted by the Financing Document and Trust Deed.
- (v) undertake or acquire any other business or subsidiaries where such undertaking or acquisition would have a material adverse effect.
- (vi) use the proceeds other than those permitted by the Financing Document and Trust Deed.

16.2 Unsecured term loan

- (i) In May 2012, the Company obtained a RM110 million, 3 years unsecured term loan at the rate of 3.80% per annum which mature in April 2015.
- (ii) In May 2012, the Company obtained a RM20 million, 3 years unsecured term loan at the rate of 3.60% per annum which mature in April 2015.
- (iii) In December 2012, the Company obtained a RM150 million, 3 years unsecured term loan at the rate of 3.70% per annum which mature in December 2015.

All the above unsecured term loan (i) to (iii) had been fully settled on their maturity dates in 2015.

- (iv) In April 2015, the Company obtained a RM150.57 million, 3 years unsecured term loan at the rate of 4.70% per annum which mature in April 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. LOANS AND BORROWINGS (CONTINUED)

16.2 Unsecured term loan

- (v) In December 2015, the Company obtained a RM150 million, 3 years unsecured term loan at the rate of 4.93% per annum which mature in April 2018.

The significant covenants for the unsecured term loan (iv) to (v) above are as follows:-

- (a) It is a condition that Permodalan Nasional Berhad shall at all time, directly or indirectly, owns at least 51% of the Company's issued and paid up share capital.
 - (b) The Company represents and warrants to and undertakes with the Bank that its payment obligations under the Security Documents constitute direct, unconditional and unsecured obligations and shall at all times rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.
 - (c) The consolidated Total Indebtedness to Consolidated Net worth Ratio shall not be exceeding 1.5 times (Net worth consists of share capital, non-controlling interest and retained earnings/losses).
 - (d) The consolidated Net Worth shall not be less than RM750 million.
 - (e) Interest coverage ratio of not less than 2 times.
- (vi) In June 2015, CCM Duopharma Biotech Berhad ("CCMD"), a subsidiary of the Company, obtained a RM245 million term loan facility, divided into two tranches. CCMD has settled Tranche 1 of RM133 million on 23 July 2015. Tranche 2 of RM112 million is payable over 7 years and is subject to interest rate of 4.5% per annum.

The significant covenants for the unsecured term loan (vii) are as follows:-

- (a) It is a condition that CCM Marketing Sdn. Bhd. shall at all time, directly or indirectly, owns it majority shareholding in the CCMD's issued and paid up share capital, and;
 - (b) Gearing ratio at the CCMD shall not exceed 1.5 times throughout the tenure of the facility.
- (vii) In September 2015, CCM Chemicals Sdn. Bhd. ("CCMC"), a subsidiary of the Company, obtained a RM50 million, 5 years unsecured term loan at the rate of 4.86% per annum which matures in October 2020.

The significant covenants for the unsecured term loan (vi) are as follows:-

- (a) CCMC shall maintain a minimum Consolidated Net Worth of RM80 million during the tenure of the facility.
- (b) CCMC's Consolidated Total Debt to Consolidated Net Worth ratio shall not at all times exceed 1.5 times.
- (c) CCMC's Interest Coverage Ratio shall not less than 2.0 times.
- (d) CCMC's Debt Service Ratio shall not at all times less than 1.25 times.

16. LOANS AND BORROWINGS (CONTINUED)

16.3 Unsecured revolving credit and trade facilities

As at 31 December 2015, the subsidiaries of the Company have utilised the revolving credit and trade facilities from various banks.

The above is subject to fulfilment of the following covenants:-

- (i) Letter of Comfort from Chemical Company of Malaysia Berhad.
- (ii) Letter of Comfort from CCM Duopharma Biotech Berhad with regards to Duopharma (M) Sdn. Bhd.
- (iii) The borrower shall maintain a Gearing Ratio of not more than 1.5 times.
- (iv) The borrower shall maintain Debt Service Coverage Ratio at least 2.0 times Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

17. PROVISION

	Note	2015	Group 2014
Warranties			
At 1 January		758	410
Provision made during the year		206	348
At 31 December		964	758

The provision for warranties relates to pharmaceutical products sold. The provision is based on estimates made from historical warranty data associated with similar products. The Group expects to incur the liability over the next 2 years (2014: 2 years).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2015	2014	2015	2014
Trade					
Trade payables		74,308	84,425	-	-
Non-trade					
Accrued expenses		41,103	39,439	11,121	9,092
Amount due to subsidiaries	18.1	-	-	3,107	6,389
Other payables		31,968	19,182	2,445	977
		73,071	58,621	16,673	16,458
		147,379	143,046	16,673	16,458

18.1 The non-trade payables due to subsidiaries are unsecured, interest free and repayable on demand.

19. REVENUE

	Continuing operations		Discontinued operation (see Note 21)		Total	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
Group						
Sales	629,537	599,364	367,509	488,656	997,046	1,088,020
Rental income from property	793	1,037	-	-	793	1,037
	630,330	600,401	367,509	488,656	997,839	1,089,057
Company						
Rental income from property	5,196	5,428	-	-	5,196	5,428
Dividends	-	2,660	-	-	-	2,660
	5,196	8,088	-	-	5,196	8,088

20. TAX EXPENSE/(INCOME)

Recognised in profit or loss

	Group		Company	
	2015	2014	2015	2014
Tax expense/(income) on continuing operations	24,372	13,648	234	(57)
Tax expense/(income) on discontinued operation	5,809	(306)	–	–
Share of tax of equity accounted associate	521	413	–	–
Total tax expense/(income)	30,702	13,755	234	(57)

Major components of income tax expense include:

Current tax expense

Malaysian – current year	26,568	17,396	1,383	1,432
– prior year	(359)	(2,713)	(993)	(1,708)
Overseas – current year	1	–	–	–
– prior year	27	885	–	–
Total current tax recognised in profit or loss	26,237	15,568	390	(276)

Deferred tax expense

Origination and reversal of temporary differences	287	(1,081)	(198)	(9)
Under/(Over) provision in prior years	3,657	(1,145)	42	228
Total deferred tax recognised in profit or loss (Note 10)	3,944	(2,226)	(156)	219
	30,181	13,342	234	(57)
Share of tax of equity accounted associate	521	413	–	–
Total tax expense/(income)	30,702	13,755	234	(57)

Reconciliation of effective tax rate

	%	%	%	%
Loss before tax	(100)	(100)	(100)	(100)
Income tax calculated using Malaysian tax rate of 25% (2014: 25%)	(25)	(25)	(25)	(25)
Non-deductible expenses	58	135	39	28
Non-taxable income	(5)	(37)	(12)	(1)
Under/(Over) provision in prior years	8	(14)	(2)	(2)
Impairment of deferred tax assets in Fertilizers operating segment	39	–	–	–
Others	(4)	1	–	–
	71	60	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. DISCONTINUED OPERATION

In 2015, the Group decided to cease and scale down its business operations for Fertilizers operating segment following continuing losses incurred by this operating segment. The Fertilizers segment was not a discontinued operation or classified as held for sale as at 31 December 2014 and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Profit attributable to the discontinued operation was as follows:-

Results of discontinued operation

	Note	Group 2015	Group 2014
Revenue	19	367,509	488,656
Expenses		(463,563)	(552,308)
Results from operating activities		(96,054)	(63,652)
Tax (loss)/benefit	20	(5,809)	306
Results from operating activities, net of tax		(101,863)	(63,346)
Included in results from operating activities are:			
Depreciation of property, plant and equipment		12,385	14,468
Amortisation of prepaid lease payments		387	387

The loss from discontinued operation is attributable to:-

	Group 2015	Group 2014
Owners of the Company	(82,261)	(61,025)
Non-controlling interests	(19,602)	(2,321)
Loss for the year	(101,863)	(63,346)
Cash flows from/(used in) discontinued operation		
Net cash (used in)/from operating activities	(55,209)	59,691
Net cash used in investing activities	(2,089)	(18,215)
Net cash from/(used in) financing activities	44,933	(60,989)
Effect on cash flows	(12,365)	(19,513)

22. LOSS FOR THE YEAR

	Group		Company	
	2015	2014	2015	2014
Loss for the year is arrived at after charging:				
Amortisation of prepaid lease payments	387	387	-	-
Auditors' remuneration				
- Statutory Audit:				
- KPMG	558	530	85	80
- Other auditors	129	134	-	-
- Other services KPMG	112	209	52	49
Depreciation of property, plant and equipment	54,110	54,817	3,624	3,549
Impairment loss:				
- Property, plant and equipment	37,604	24,086	-	-
- Trade receivables	4,156	14,507	-	-
- Amount due from subsidiaries	-	-	65,065	82,128
- Investment in subsidiaries	-	-	38,853	-
Interest expense:				
- Subsidiaries	-	-	20	22
- Bank overdraft	136	-	-	-
- Revolving credits	5,355	4,216	573	-
- Bankers' acceptances	2,352	1,480	-	-
- Unsecured term loan	15,481	14,190	12,561	14,190
- Others	6,784	7,382	4,643	4,260
Net loss on disposal of property, plant and equipment	699	6	-	-
Personnel expenses (including key management personnel)				
- Contribution to Employees Provident Fund	14,706	13,720	2,343	2,463
- Wages, salaries and others	116,090	111,686	16,786	13,366
Property, plant and equipment written off	206	24	10	3
Rental expenses in respect of				
- property leases	8,584	11,024	1,209	1,187
- property	219	122	18	-
- equipment	469	88	159	88

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. LOSS FOR THE YEAR (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
Loss for the year is arrived at after charging: (continued)				
Research and development costs expensed as incurred	9,371	7,359	-	-
Realised foreign exchange loss	2,081	1,034	18	10
Write-down of inventories	12,626	10,507	-	-
Write-off of inventories	2,776	6,880	-	-
Unrealised foreign exchange loss	294	5,623	760	6
and after crediting:				
Change in fair value of investment properties	5,755	200	28,115	2,500
Interest income:				
- Subsidiaries	-	-	18,373	18,653
- Fixed deposits	5,106	4,427	2,436	3,658
- Others	824	464	39	-
Net gain on disposal of property, plant and equipment	-	-	171	2
Realised foreign exchange gain	3,225	1,700	-	4
Reversal of impairment loss on trade receivables	308	3,068	-	-
Rental income from property	1,037	1,037	5,196	5,428
Unrealised foreign exchange gain	7,162	10	-	-
Write back of amount due to a creditor	-	1,942	-	-
Write back of amount due to subsidiaries	-	-	4,924	-
Net gain on disposal of investment in subsidiaries	-	-	26,046	-

23. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2015 was based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:-

	2015		Total	2014		Total
	Continuing operations	Discontinued operation		Continuing operations	Discontinued operation	
Profit/(Loss) for the year attributable to ordinary shareholders	19,785	(82,261)	(62,476)	18,511	(61,025)	(42,514)

23. EARNINGS/(LOSS) PER ORDINARY SHARE (CONTINUED)

	2015	Group 2014
Weighted average number of ordinary shares at 31 December	454,632	454,632
	2015 Sen	2014 Sen
From continuing operations	4.35	4.07
From discontinued operations	(18.09)	(13.42)
Basic loss per ordinary share	(13.74)	(9.35)

Diluted earnings/(loss) per ordinary share

No diluted earnings/(loss) per ordinary share is presented as there are no adjustment for the effects of all dilutive potential ordinary shares as at 31 December 2015 and 31 December 2014.

24. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount	Date of payment
2015			
Interim 2014 ordinary	2.50	11,366	15 January 2015
Interim 2015 ordinary	2.50	11,366	1 October 2015
Total amount		22,732	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. OPERATING SEGMENTS

Business segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:-

- Pharmaceuticals - Manufacture and marketing of pharmaceutical and healthcare products.
- Chemicals - Manufacture and marketing of chlor-alkali and coagulant products, industrial and specialty chemicals and polymer coatings.
- Fertilizers - Manufacture and marketing of fertilizers.

Other non-reportable segments comprise operations related to the investment holding company and rental of investment property. None of these segments met the quantitative thresholds for reporting segments in 2015 and 2014.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Managing Director (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Managing Director. Hence, no disclosure is made on segment liability.

25. OPERATING SEGMENTS (CONTINUED)

	Pharmaceuticals		Chemicals		Fertilizers (discontinued)		Others		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Segment profit/(loss)	28,686	27,506	18,001	14,325	(101,863)	(63,346)	(74,720)	(124,473)	56,640	110,565	(73,256)	(35,423)
<i>Included in the measure of segment (loss)/profit are:</i>												
Total external revenue	334,769	320,386	294,755	278,980	367,509	488,656	806	1,037	-	-	997,839	1,089,057
Inter-segment revenue	-	-	-	-	-	-	4,403	8,570	(4,403)	(8,570)	-	-
Write-down of inventories	3,674	2,153	-	-	8,952	8,354	-	-	-	-	12,626	10,507
Write-off of inventories	2,776	6,103	-	777	-	-	-	-	-	-	2,776	6,880
Impairment of property, plant and equipment	-	-	-	-	37,604	24,086	-	-	-	-	37,604	24,086
Depreciation and amortisation	(21,532)	(18,486)	(15,722)	(13,163)	(12,772)	(18,371)	(3,624)	(3,549)	(847)	(1,635)	(54,497)	(55,204)
Share of profit of associate	-	-	948	1,706	-	-	-	-	-	-	948	1,706
<i>Not included in the measure of segment profit but provided to Group Managing Director:</i>												
Finance costs	(20,107)	(12,353)	(4,114)	(3,140)	(8,526)	(12,154)	(17,801)	(18,532)	20,440	18,911	(30,108)	(27,268)
Finance income	5,498	167	1,824	949	460	375	20,848	22,311	(22,700)	(18,911)	5,930	4,891
Tax income/(expense)	(9,670)	(8,157)	(13,271)	(4,620)	(5,809)	306	(234)	55	(1,197)	(926)	(30,181)	(13,342)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. OPERATING SEGMENTS (CONTINUED)

	Pharmaceuticals		Chemicals		Fertilizers (discontinued)		Others		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Segment assets	781,925	725,350	459,348	450,649	346,725	397,806	1,047,220	1,161,896	(898,312)	(1,096,642)	1,736,906
<i>Included in the measure of segment assets are:</i>												
Investment in associate	-	-	16,146	15,198	-	-	-	-	71	71	16,217	15,269
Additions to non-current assets other than financial instrument and deferred tax assets	34,084	21,660	10,562	17,219	2,089	1,289	467	1,728	-	-	47,202	41,896

Geographical segments

The Pharmaceuticals, Chemicals and Fertilizers business segments are managed on a worldwide basis, but operate in three principal geographical areas, Malaysia, Indonesia and Singapore.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

	Malaysia		Indonesia		Singapore		Other regions		Fertilizers (discontinued)		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Geographical segments	587,396	1,021,905	7,724	26,910	26,002	33,004	9,208	7,238	367,509	488,656	997,839
External revenue												
Segment assets	1,304,665	1,165,715	12,026	41,341	18,615	19,394	19,945	14,803	381,655	397,806	1,736,906	1,639,059

26. FINANCIAL INSTRUMENTS

26.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Loans and receivables (L&R);
- (b) Available-for-sale financial assets (AFS); and
- (c) Financial liabilities measured at amortised cost (FL).

	Carrying amount	L&R/ (FL)	AFS
2015			
Financial assets			
Group			
Other investments	15,864	–	15,864
Trade and other receivables	219,114	219,114	–
Cash and cash equivalents	324,558	324,558	–
	559,536	543,672	15,864
Company			
Other investments	15,740	–	15,740
Trade and other receivables	596,344	596,344	–
Cash and cash equivalents	51,165	51,165	–
	663,249	647,509	15,740
Financial liabilities			
Group			
Loans and borrowings	(633,096)	(633,096)	–
Trade and other payables	(147,379)	(147,379)	–
	(780,475)	(780,475)	–
Company			
Loans and borrowings	(400,570)	(400,570)	–
Trade and other payables	(16,673)	(16,673)	–
	(417,243)	(417,243)	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.1 Categories of financial instruments (continued)

	Carrying amount	L&R/ (FL)	AFS
2014			
Financial assets			
Group			
Other investments	15,864	–	15,864
Trade and other receivables	233,297	233,297	–
Cash and cash equivalents	208,212	208,212	–
	457,373	441,509	15,864
Company			
Other investments	15,740	–	15,740
Trade and other receivables	549,649	549,649	–
Cash and cash equivalents	81,307	81,307	–
	646,696	630,956	15,740
Financial liabilities			
Group			
Loans and borrowings	(594,003)	(594,003)	–
Trade and other payables	(143,046)	(143,046)	–
	(737,049)	(737,049)	–
Company			
Loans and borrowings	(420,000)	(420,000)	–
Trade and other payables	(16,458)	(16,458)	–
	(436,458)	(436,458)	–

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015	2014	2015	2014
Net gains/(losses) on:				
Loans and receivables	9,786	(6,548)	(44,995)	(59,817)
Financial liabilities measured at amortised cost	(30,108)	(34,157)	(12,873)	(18,484)
	(20,322)	(40,705)	(57,868)	(78,301)

26.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:-

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

(i) Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 180 days, which are deemed to have higher credit risk, are monitored individually.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

(i) Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:-

	Group	
	2015	2014
Malaysia	189,900	202,545
Indonesia	2,775	8,293
Others	6,774	11,219
	199,449	222,057

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:-

	Gross	Individual impairment	Collective impairment	Net
Group				
2015				
Not past due	154,413	-	-	154,413
Past due 0-30 days	21,119	-	-	21,119
Past due 31-180 days	22,966	(990)	-	21,976
Past due more than 181 days	21,614	(10,026)	(9,647)	1,941
	220,112	(11,016)	(9,647)	199,449
2014				
Not past due	137,555	-	-	137,555
Past due 0-30 days	25,800	-	-	25,800
Past due 31-180 days	56,816	(6,218)	-	50,598
Past due more than 181 days	23,562	(12,729)	(2,729)	8,104
	243,733	(18,947)	(2,729)	222,057

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

(i) Receivables (continued)

The movements in the allowance for impairment losses of trade receivables during the year were:-

	2015	Group 2014
At 1 January	21,676	18,957
Impairment loss recognised	4,156	14,507
Impairment loss reversed	(308)	(3,068)
Impairment loss written off	(6,512)	(8,798)
Foreign exchange differences	1,651	78
At 31 December	20,663	21,676

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

(ii) Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

(iii) Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, the inter company balance that is assessed to be irrecoverable had been impaired and disclosed in note 22. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

26.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:-

	Carrying amount	Contractual interest rate %	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
Group							
2015							
<i>Non-derivative financial liabilities</i>							
Unsecured Sukuk Musyarakah	100,000	4.35%	104,350	104,350	-	-	-
Unsecured term loan	462,368	4.30% - 4.93%	538,990	25,159	354,505	103,710	55,616
Unsecured bankers' acceptances	34,770	3.91% - 4.30%	36,154	36,154	-	-	-
Unsecured revolving credit and trade facilities	35,958	4.30% - 7.73%	37,880	37,880	-	-	-
Trade and other payables	147,379	-	147,379	147,379	-	-	-
	780,475		864,753	350,922	354,505	103,710	55,616
2014							
<i>Non-derivative financial liabilities</i>							
Unsecured Sukuk Musyarakah	100,000	4.35%	111,520	4,350	107,170	-	-
Unsecured term loan	280,000	3.60% - 3.80%	287,009	287,009	-	-	-
Unsecured bankers' acceptances	44,228	3.53% - 4.10%	47,047	47,047	-	-	-
Unsecured revolving credit and trade facilities	169,775	1.95% - 7.00%	173,999	173,999	-	-	-
Trade and other payables	143,046	-	143,046	143,046	-	-	-
	737,049		762,621	655,451	107,170	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount	Contractual interest rate %	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
Company						
2015						
Non-derivative financial liabilities						
Unsecured Sukuk Musyarakah	100,000	4.35%	104,350	104,350	-	-
Unsecured term loan	300,570	4.70% - 4.93%	331,078	13,075	318,003	-
Trade and other payables	16,673	-	16,673	16,673	-	-
	417,243		452,101	134,098	318,003	-
2014						
Non-derivative financial liabilities						
Unsecured Sukuk Musyarakah	100,000	4.35%	111,520	4,350	107,170	-
Unsecured term loan	280,000	3.60% - 3.80%	287,009	287,009	-	-
Unsecured revolving credit and trade facilities	40,000	4.07%	40,129	40,129	-	-
Trade and other payables	16,458	-	16,458	16,458	-	-
	436,458		455,116	347,946	107,170	-

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

26.6.1 Interest rate risk

The Group's investment in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The interest rate risk of the Group is managed by a combination of both long term and short term borrowings.

The excess fund placed with licensed banks and other financial institutions and corporations are for certain periods during which the interest rates are fixed. The management reviews the interest rates at regular intervals.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:-

	Group		Company	
	2015	2014	2015	2014
Fixed rate instruments				
Financial assets	117,629	102,776	492,055	534,003
Financial liabilities	(633,096)	(594,003)	(400,570)	(420,000)
	(515,467)	(491,227)	91,485	114,003

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk (continued)

26.6.2 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S Dollar ("USD") and Indonesian Rupiah ("IDR").

Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure on foreign currency risk arising from commercial transactions is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short term imbalances.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:-

	Group Denominated in	
	USD	IDR
2015		
Trade receivables	10,068	1,258
Trade payables	(4,279)	-
Net exposure in the statement of financial position	5,789	1,258
2014		
Trade receivables	10,690	6,606
Trade payables	(14,421)	-
Borrowings	(9,643)	-
Net exposure in the statement of financial position	(13,374)	6,606

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk (continued)

26.6.2 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2014: 10%) strengthening of the Ringgit Malaysia (“RM”) against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Profit/(Loss)	
	2015	2014
Group		
USD	(434)	1,003
IDR	(94)	(495)

A 10% (2014: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

26.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group’s investment in unquoted shares due to lack of comparable quoted prices in an active market and the fair value cannot be reliably measured. Accordingly, the Group and the Company’s investment continued to be carried at cost.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value			Total	Fair value of financial instruments not carried at fair value			Total	Carrying amount
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		
2015									
Group									
Financial assets									
Quoted shares	124	-	-	124	-	-	-	124	124
Financial liabilities									
Unsecured term loan	-	-	-	-	-	(434,214)	(434,214)	(434,214)	(454,379)
	124	-	-	124	-	(434,214)	(434,214)	(434,090)	(454,255)
2014									
Group									
Financial assets									
Quoted shares	124	-	-	124	-	-	-	124	124
Financial liabilities									
Unsecured sukuk Musyarakah	-	-	-	-	-	(98,653)	(98,653)	(98,653)	(100,000)
	124	-	-	124	-	(98,653)	(98,653)	(98,529)	(99,876)

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
2015								
Company								
Financial assets								
Amount due from subsidiaries	-	-	-	-	-	426,086	426,086	444,152
Financial liabilities								
Unsecured term loan	-	-	-	-	-	(286,763)	(286,763)	(300,570)
	-	-	-	-	-	139,323	139,323	143,582
2014								
Company								
Financial assets								
Amount due from subsidiaries	-	-	-	-	-	397,669	397,669	414,968
Financial liabilities								
Unsecured sukuk Musyarakah	-	-	-	-	-	(98,653)	(98,653)	(100,000)
	-	-	-	-	-	299,016	299,016	314,968

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 Fair value information (continued)

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2014: no transfer in either direction).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair values of long term receivables and long term liabilities are determined using the discounted cash flows valuation technique.

27. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the debt-to-equity ratio of not more than 1:1. The debt-to-equity ratio at 31 December 2015 and 31 December 2014 were as follows:

	Note	Group 2015	Group 2014
Total loans and borrowings	16	633,096	594,003
Total equity		849,952	880,598
Debt-to-equity ratios		0.74: 1	0.67:1

27. CAPITAL MANAGEMENT (CONTINUED)

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

28. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2015	2014	2015	2014
Less than one year	1,558	1,571	1,209	1,187
Between one and five years	201	159	201	–
	1,759	1,730	1,410	1,187

The Group leases a number of office premises and equipment under operating leases. The leases typically run for a period of 3 to 5 years with an option to renew the lease after that date. Lease payments are revised to reflect market rentals. None of the leases includes contingent rentals.

29. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2015	2014	2015	2014
Capital expenditure commitments				
Plant and equipment				
Authorised but not contracted for	269,074	28,543	3,708	5,607
Contracted but not provided for	35,099	31,498	206	–
	304,173	60,041	3,914	5,607

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding company, significant investors, subsidiaries, associate and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 31) are shown below. The balances related to the below transactions are shown in Notes 11 and 18.

	Transaction value year ended	
	2015	2014
Group		
Rental expense to holding company	(1,209)	(1,187)
Sales of products to significant investors that has influence over a subsidiary	559	19,730
Company		
Dividend income from subsidiaries	–	2,660
Rental expense to holding company	(1,209)	(1,187)
Rental income from subsidiaries	4,403	4,391
Shared cost charged to subsidiaries	15,385	14,953

31. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2015	2014	2015	2014
Directors				
- Fees	838	894	620	654
- Remuneration	1,244	1,489	419	1,452
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	306	165	250	165
	2,388	2,548	1,289	2,271
Other key management personnel:				
- Remuneration	6,361	5,459	1,970	1,396
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	340	255	114	87
	6,701	5,714	2,084	1,483

Other key management personnel comprise of certain members of senior management of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

32. CONTINGENT LIABILITIES

As of 31 December 2015, PT CCM Indonesia ("PTCCMI"), a subsidiary of the Company was appealing against the Director General Tax, Indonesia's assessment with respect to year of assessment 2011. If the appeal was unsuccessful, an additional tax to be paid by PTCCMI arising from various tax adjustments/corrections would be IDR36,100,000,000 (equivalent to approximately RM9.7 million). The hearing of the appeals was concluded on 29 July 2015 and as at 31 December 2015, the matter is currently pending decision from the Indonesian Tax Court.

The Directors are of the opinion that provisions are not required in respect of this matter, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. SUBSEQUENT EVENTS

- (i) On 23 February 2016, PT CCM Agripharma (“PTCCMA”), a wholly-owned subsidiary of Chemical Company of Malaysia Berhad (“CCM”), entered into Conditional Land and Building Sale and Purchase Agreement (“SPA”) with PT Feedmill Indonesia to dispose two parcels of land and a parcel of land attached with building, plant and equipment located in Medan, Indonesia, measuring approximately 75,339 square metres for a sale consideration of IDR121.8 billion equivalent to approximately RM41,000,000.

The sale is subject to the terms and conditions stipulated in the SPA and is expected to be completed in 2016.

- (ii) On 11 March 2016, PanGen Biotech Inc. (“PanGen”), an investee company of CCM was listed on Korean Securities Dealers Automated Quotations (“KOSDAQ”) under the category of New Growth Engine Companies. The listing of PanGen includes issuance of 1,699,500 new common shares resulting in CCM having an effective equity interest of 9.34% in PanGen as at the listing date.

34. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:-

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	230,416	304,322	39,963	149,901
- unrealised	38,038	58,827	85,145	56,874
	268,454	363,149	125,108	206,775
Total share of retained earnings of associate				
- realised	14,533	13,585	-	-
- unrealised	276	276	-	-
	283,263	377,010	125,108	206,775
Less: Consolidation adjustments	(98,473)	(107,012)	-	-
Total retained earnings	184,790	269,998	125,108	206,775

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.