# 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 2016 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 2016 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 24 March 2017.

## 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 ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations 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 2017***

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

***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*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2 and Amendments to MFRS 4 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

The initial application of the applicable 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:

#### (i) 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.

#### (ii) 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.

#### (iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases,* IC Interpretation 4, *Determining whether an Arrangement contains a Lease,* IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

### (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.

**1. BASIS OF PREPARATION (CONTINUED)**

**(d) Use of estimates and judgements**

The preparation of the financial statements in conformity with 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 estimate is revised and in any future periods affected.

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

- 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 - investments in subsidiaries
- Note 10 - deferred tax assets/liabilities
- Note 11 - valuation of trade receivables
- Note 12 - inventories
- Note 17 - provision for warranties

**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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (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.

#### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (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.

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 re-measured. 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (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.

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the 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.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Foreign currency (continued)**

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

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

**Financial assets (continued)**

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

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.

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

Available-for-sale category comprises investment in equity and debt securities instrument 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

**Financial liabilities (continued)**

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.

#### (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, 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment (continued)

#### (i) Recognition and measurement (continued)

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 that 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.

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" or "other expenses" respectively in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Leased assets

#### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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 useful 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.

**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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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, investments 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.

## 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 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 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 financial 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 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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 (group 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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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, 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, which in the case of quoted securities is the ex-dividend date.

#### (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.

## 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 is 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Income tax (continued)

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.

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 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 to assess its performance, and for which discrete financial information is available.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

#### (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 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT

| | Note | Leasehold land | Freehold land | Freehold buildings | Long term leasehold buildings | Short term leasehold buildings | Plant, machinery and equipment | Asset under construction | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **Cost** | | | | | | | | | |
| At 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 | | – | 11,500 | – | – | – | – | – | 11,500 |
| Transfer to intangible assets | | – | – | – | – | – | – | (2,730) | (2,730) |
| Transfer to assets held for sale | | (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/ 1 January 2016 | | **100,480** | **38,292** | **75,173** | **85,504** | **–** | **677,967** | **8,530** | **985,946** |
| Additions | | **–** | **–** | **99** | **–** | **–** | **80,647** | **21,613** | **102,359** |
| Transfer to investment properties: | 4 | | | | | | | | |
| - Offset of accumulated depreciation and impairment loss | | **(10,699)** | **–** | **–** | **(5,850)** | **–** | **–** | **–** | **(16,549)** |
| - Revaluation of property transferred | | **118,275** | **–** | **–** | **–** | **–** | **–** | **–** | **118,275** |
| - Transfer of carrying amount | | **(179,000)** | **–** | **–** | **(6,900)** | **–** | **–** | **–** | **(185,900)** |
| Transfer to intangible assets | 5 | **–** | **–** | **–** | **–** | **–** | **–** | **(3,493)** | **(3,493)** |
| Disposals | | **–** | **–** | **–** | **–** | **–** | **(10,680)** | **–** | **(10,680)** |
| Write-off | | **–** | **–** | **–** | **–** | **–** | **(7,376)** | **–** | **(7,376)** |
| At 31 December 2016 | | **29,056** | **38,292** | **75,272** | **72,754** | **–** | **740,558** | **26,650** | **982,582** |

## 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 | Asset under construction | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **Depreciation and impairment loss** | | | | | | | | | |
| At 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 | | (2,388) | – | – | (39,906) | (19,279) | (74,898) | – | (136,471) |
| Disposals | | – | – | – | (35) | – | (5,235) | – | (5,270) |
| Write-off | | – | – | – | – | – | (305) | – | (305) |
| At 31 December 2015/ 1 January 2016 | | | | | | | | | |
| 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** |
| Depreciation for the year | | **2,352** | **–** | **3,696** | **3,136** | **–** | **41,007** | **–** | **50,191** |
| Disposals | | **–** | **–** | **–** | **–** | **–** | **(9,579)** | **–** | **(9,579)** |
| Impairment loss | | **–** | **–** | **–** | **4,606** | **–** | **–** | **–** | **4,606** |
| Offset of accumulated depreciation and impairment loss on property transferred to investment properties | | **(10,699)** | **–** | **–** | **(5,850)** | **–** | **–** | **–** | **(16,549)** |
| Write-off | | **–** | **–** | **–** | **–** | **–** | **(6,052)** | **–** | **(6,052)** |
| At 31 December 2016 | | | | | | | | | |
| Accumulated depreciation | | **1,665** | **–** | **15,780** | **12,341** | **–** | **532,833** | **–** | **562,619** |
| Accumulated impairment loss | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | | **1,665** | **–** | **15,780** | **12,341** | **–** | **532,833** | **–** | **562,619** |
| **Carrying amounts** | | | | | | | | | |
| At 1 January 2015 | | 108,720 | 26,792 | 66,065 | 125,929 | 905 | 211,599 | 708 | 540,718 |
| At 31 December 2015/ 1 January 2016 | | **90,468** | **38,292** | **63,089** | **75,055** | **–** | **170,510** | **8,530** | **445,944** |
| At 31 December 2016 | | **27,391** | **38,292** | **59,492** | **60,413** | **–** | **207,725** | **26,650** | **419,963** |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Equipment | Asset under construction | Total |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| At 1 January 2015 | 37,811 | – | 37,811 |
| Additions | 466 | – | 466 |
| Disposals | (216) | – | (216) |
| Write-off | (11) | – | (11) |
| At 31 December 2015/1 January 2016 | **38,050** | **–** | **38,050** |
| Additions | **685** | **208** | **893** |
| At 31 December 2016 | **38,735** | **208** | **38,943** |
| **Depreciation** | | | |
| At 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 2015/1 January 2016 | **18,585** | **–** | **18,585** |
| Depreciation for the year | **3,515** | **–** | **3,515** |
| At 31 December 2016 | **22,100** | **–** | **22,100** |
| **Carrying amounts** | | | |
| At 1 January 2015 | 22,793 | – | 22,793 |
| At 31 December 2015/1 January 2016 | **19,465** | **–** | **19,465** |
| At 31 December 2016 | **16,635** | **208** | **16,843** |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 3.1 Impairment loss

In last 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 and RM15,131,000 with respect to leasehold buildings and plant, machinery and equipment.

### 3.2 Leasehold land

At 31 December 2016, the net carrying amount of the Group's leasehold land was RM27,391,000 (2015: RM90,468,000). Leasehold land of the Group has an unexpired lease period of 23 to 83 years.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 4. INVESTMENT PROPERTIES

| | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| At 1 January | | **25,470** | 31,140 | **128,120** | 113,530 |
| Additions | | **–** | 75 | **–** | 75 |
| Change in fair value recognised in profit or loss | | **–** | 5,755 | **83,200** | 28,115 |
| Transfer from/(to) property, plant and equipment | 3 | **185,900** | (11,500) | **–** | – |
| Transfer to assets classified as held for sale | 14 | **(1,000)** | – | **–** | (13,600) |
| At 31 December | | **210,370** | 25,470 | **211,320** | 128,120 |
| Included in the above are: | | | | | |
| At fair value Freehold land | | **220** | 220 | **5,440** | 5,440 |
| Leasehold land with unexpired lease period of more than 50 years | | **198,800** | 20,800 | **198,800** | 112,500 |
| Leasehold land with unexpired lease period of less than 50 years | | **4,450** | 4,450 | **–** | – |
| Buildings | | **6,900** | – | **7,080** | 10,180 |
| At 31 December | | **210,370** | 25,470 | **211,320** | 128,120 |

During the financial year, a leasehold land and building have been transferred from property, plant and equipment to investment properties (see Note 3), since the leasehold land and building was no longer used by the Group.

In last 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 subsidiaries 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. Subsequent renewals are negotiated with the lessee and on average renewal periods are one to three years. No contingent rents are charged.

## 4. INVESTMENT PROPERTIES (CONTINUED)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Rental income | **–** | – | **4,561** | 5,196 |
| Direct operating expenses: | | | | |
| - income generating investment properties | **–** | – | **846** | 748 |
| - non-income generating investment properties | **769** | 47 | **–** | – |

### 4.1 Fair value information

Fair value of investment properties are categorised as follows:

| | Level 2 | Level 3 | Total |
|---|---|---|---|
| **2016** | | | |
| **Group** | | | |
| Freehold land | **–** | **220** | **220** |
| Buildings | **–** | **6,900** | **6,900** |
| Leasehold land with unexpired lease period of more than 50 years | **–** | **198,800** | **198,800** |
| Leasehold land with unexpired lease period of less than 50 years | **–** | **4,450** | **4,450** |
| | **–** | **210,370** | **210,370** |
| **Company** | | | |
| Freehold land | **–** | **5,440** | **5,440** |
| Buildings | **–** | **7,080** | **7,080** |
| Leasehold land with unexpired lease period of more than 50 years | **–** | **198,800** | **198,800** |
| | **–** | **211,320** | **211,320** |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 4. INVESTMENT PROPERTIES (CONTINUED)

### 4.1 Fair value information (continued)

| | 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 |

**Level 3 fair value**

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| At 1 January | **25,470** | 31,140 | **128,120** | 113,530 |
| Addition | **–** | 75 | **–** | 75 |
| Transfer from/(to) property, plant and equipment | **185,900** | (11,500) | **–** | – |
| Transfer to assets classified as held for sale | **(1,000)** | – | **–** | (13,600) |
| Change in fair value | | | | |
| - other income - unrealised | **–** | 5,755 | **83,200** | 28,115 |
| At 31 December | **210,370** | 25,470 | **211,320** | 128,120 |

## 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.<br><br>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 property should be industrial lands located nearby the Group's investment property.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 5. INTANGIBLE ASSETS

| | Goodwill | Marketing rights | Trade marks | Brands | Development cost | Total |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Cost** | | | | | | |
| At 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/ 1 January 2016 | **306,745** | **16,483** | **63** | **2,400** | **6,708** | **332,399** |
| Additions | **–** | **–** | **–** | **–** | **230** | **230** |
| Transfer from property, plant and equipment | **–** | **–** | **–** | **–** | **3,493** | **3,493** |
| At 31 December 2016 | **306,745** | **16,483** | **63** | **2,400** | **10,431** | **336,122** |
| **Accumulated impairment loss** | | | | | | |
| At 1 January 2015/ 31 December 2015/ 1 January 2016/ 31 December 2016 | **22,980** | **15,787** | **–** | **800** | **–** | **39,567** |
| **Carrying amounts** | | | | | | |
| At 1 January 2015 | 283,765 | – | 63 | 3,200 | 3,063 | 290,091 |
| At 31 December 2015/ 1 January 2016 | **283,765** | **696** | **63** | **1,600** | **6,708** | **292,832** |
| At 31 December 2016 | **283,765** | **696** | **63** | **1,600** | **10,431** | **296,555** |

| **Company** | **Trademark** |
|---|---|
| **Cost/Carrying amount** | |
| At 1 January 2015/ 31 December 2015/ 1January 2016/ 31 December 2016 | 63 |

## 5. INTANGIBLE ASSETS (CONTINUED)

### 5.1 Material intangible assets

**Goodwill**

The carrying amount of the goodwill of subsidiaries in the pharmaceutical and polymers 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 (2015: RM 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 (2015: RM696,000) 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 year-end. 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| A subsidiary in pharmaceuticals division | **189,658** | 189,658 |
| Subsidiaries in polymers division | **94,107** | 94,107 |
| | **283,765** | 283,765 |

The recoverable amounts of the cash-generating units containing goodwill were based on value in use of the investment in the respective subsidiaries ("the subsidiaries") and 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 (2015: 3 years) budget. Cash flows for a further 2 years (2015: 2 years) period were extrapolated using a growth rate between 8 percent (2015: 8 percent) for the subsidiary of pharmaceuticals division and 10 percent growth rate (2015: 5 percent) for subsidiaries of polymers division. Management believes that these 5 years (2015: 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 (2015: 3 years) budget and subsequently projected based on growth rate as stated in note (a) above.

(c) A pre-tax discount rate of 7.76 percent (2015: 7.38 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.

## 6. PREPAID LEASE PAYMENTS

| | Note | Unexpired leasehold land with period less than 50 years 2016 | 2015 |
|---|---|---|---|
| **Group** | | | |
| **Cost** | | | |
| At 1 January | | – | 8,849 |
| Transfer to assets held for sale | 14 | – | (8,849) |
| At 31 December | | – | – |
| **Amortisation** | | | |
| At 1 January | | – | 3,492 |
| Amortisation for the year | | – | 387 |
| Transfer to assets held for sale | 14 | – | (3,879) |
| At 31 December | | – | – |
| **Carrying amounts** | | | |
| At 1 January | | – | 5,357 |
| At 31 December | | – | – |

## 7. INVESTMENTS IN SUBSIDIARIES

| | Company 2016 | 2015 |
|---|---|---|
| At cost: | | |
| Unquoted shares | **265,167** | 262,035 |
| Less: Accumulated impairment loss | **(87,223)** | (44,788) |
| | **177,944** | 217,247 |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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 2016 % | 2015 % |
|---|---|---|---|---|
| CCM Agri-Max Sdn. Bhd. and its subsidiaries: | Malaysia | Inverstment holding | **100.0** | 100.0 |
| CCM Fertilizers Sdn. Bhd. and its subsidiary: | Malaysia | Trading of 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 |
| CCM Agriculture Sdn. Bhd. | Malaysia | Manufacturing and marketing of wide range of fertilizers | **–** | 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 Polymers Sdn. Bhd. (formerly known as 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 |

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiaries | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest 2016 % | 2015 % |
|---|---|---|---|---|
| CCM Chemicals Sdn. Bhd. and its subsidiaries: | Malaysia | Manufacturing 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 |
| 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 |
| CCM Duopharma Biotech Berhad and its subsidiaries: | Malaysia | Investment holding | **73.4** | 73.4 |
| Duopharma (M) Sdn. Bhd. | Malaysia | Manufacturing, distribution, importing and exporting of pharmaceutical products and medicines | **73.4** | 73.4 |
| Upha Pharmaceutical Manufacturing (M) Sdn. Bhd. | Malaysia | Manufacturing of pharmaceutical products and sales of medicines | **73.4** | 73.4 |
| CCM Pharma Sdn. Bhd. | Malaysia | Property management and services | **73.4** | 73.4 |
| Innovax Sdn. Bhd. | Malaysia | Research and development of pharmaceutical products | **73.4** | 73.4 |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiaries | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest 2016 % | 2015 % |
|---|---|---|---|---|
| CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries: | Malaysia | Marketing and sales of medicine and pharmaceutical products | **73.4** | 73.4 |
| CCM Biopharma Sdn. Bhd. | Malaysia | Dormant | **73.4** | 73.4 |
| Sentosa Pharmacy Sdn. Bhd. | Malaysia | Distributor of pharmaceutical products | **73.4** | 73.4 |
| Unique Pharmacy (Ipoh) Sdn. Bhd. | Malaysia | Dormant | **73.4** | 73.4 |
| Unique Pharmacy (Penang) Sdn. Bhd. | Malaysia | Distributor of pharmaceutical products | **73.4** | 73.4 |
| Negeri Pharmacy Sdn. Bhd. | Malaysia | Dormant | **73.4** | 73.4 |
| CCM International (Philippines), Inc.* | Republic of Philippines | Distribution, importing and exporting of pharmaceuticals and chemicals product | **73.4** | 73.4 |
| CCM Pharmaceuticals (S) Pte. Ltd.* | Singapore | Distribution, wholesaler of medicinal and pharmaceutical products | **73.4** | 73.4 |
| 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 |

* Not audited by member firms of KPMG International.

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

**7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

**7.1** On 28 June 2016, the Company entered into Debt Conversion Agreements to convert amount owing by its subsidiaries, CCM Agriculture Sdn. Bhd. (“CCMAG”) amounting to RM66,856,207 and CCM Agriculture (Sabah) Sdn. Bhd. (“CCMAGS”) amounting to RM109,736,612 into investment in subsidiaries. Subsequently, the Company disposed its entire interest in CCMAG and CCMAGS for cash considerations of RM14,345,000 in line with the Group decision to exit fertilizers operating segment.

In 2015, 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 RM399,000 based on 30 September 2014 balances.

The above transactions were completed on 27 May 2015.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### 7.2 Non-controlling interests 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 |
|---|---|---|---|---|
| **2016** | | | | |
| NCI percentage of ownership interest and voting interest | 49.90% | 26.63% | 20.00% | |
| Carrying amount of NCI | 1,774 | 121,356 | 29,058 | 152,188 |
| (Loss)/Profit allocated to NCI | (29,933) | 7,144 | 2,580 | (20,209) |
| **Summarised financial information before intra-group elimination** | | | | |
| **As at 31 December** | | | | |
| Non-current assets | 309 | 295,281 | 144,056 | |
| Current assets | 37,816 | 366,182 | 120,969 | |
| Non-current liabilities | – | (103,791) | (51,111) | |
| Current liabilities | (34,570) | (103,156) | (68,627) | |
| Net assets | 3,555 | 454,516 | 145,287 | |
| **Year ended 31 December** | | | | |
| Revenue | 128,104 | 312,940 | 215,044 | |
| (Loss)/Profit for the year | (59,985) | 26,826 | 12,900 | |
| Total comprehensive (loss)/income | (59,985) | 27,115 | 13,757 | |
| Cash flows from operating activities | 33,864 | 33,241 | 36,739 | |
| Cash flows from/(used in) investing activities | 12 | (30,449) | (60,798) | |
| Cash flows used in financing activities | (26,161) | (31,777) | (15,969) | |
| Net increase/(decrease) in cash and cash equivalents | 7,715 | (28,985) | (40,028) | |
| Dividends paid to NCI | – | 5,942 | 491 | |

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### 7.2 Non-controlling interests in subsidiaries (continued)

| | 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)

## 8. INVESTMENT IN ASSOCIATE

| | Group 2016 | Group 2015 |
|---|---|---|
| At cost: | | |
| Unquoted shares | **1,408** | 1,408 |
| Share of post acquisition reserves | **21,113** | 19,343 |
| Dividend received from associate | **(7,594)** | (4,534) |
| | **14,927** | 16,217 |

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 2016 % | Effective ownership interest and voting interest 2015 % |
|---|---|---|---|---|
| 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.

| | Group 2016 | Group 2015 |
|---|---|---|
| **Summarised financial information** | | |
| Non-current assets | **3,704** | 4,428 |
| Current assets | **40,136** | 41,805 |
| Non-current liabilities | **(373)** | (373) |
| Current liabilities | **(10,455)** | (9,981) |
| Net assets | **33,012** | 35,879 |
| Total comprehensive income | **3,933** | 2,106 |
| **Included in the total comprehensive income is:** | | |
| Revenue | **36,426** | 36,632 |
| **Reconciliation of net assets to carrying amount as at 31 December** | | |
| Group's share of net assets | **14,856** | 16,146 |
| Consolidated adjustments | **71** | 71 |
| Carrying amount in the statement of financial position | **14,927** | 16,217 |
| **Group's share of results for the year ended 31 December** | | |
| Group's share of total comprehensive income | **1,770** | 948 |

## 9. OTHER INVESTMENTS

| | Unquoted | Quoted in Malaysia | Quoted in other country | Total |
|---|---|---|---|---|
| **Group** | | | | |
| **2016** | | | | |
| **Non-current** | | | | |
| Available-for-sale financial assets | **–** | **124** | **49,950** | **50,074** |
| Market value of quoted investments | **–** | **124** | **49,950** | **50,074** |
| **2015** | | | | |
| **Non-current** | | | | |
| Available-for-sale financial assets | 15,740 | 124 | – | 15,864 |
| Market value of quoted investments | – | 124 | – | 124 |
| **Company** | | | | |
| **2016** | | | | |
| **Non-current** | | | | |
| Available-for-sale financial assets | **–** | **–** | **49,950** | **49,950** |
| Market value of quoted investments | **–** | **–** | **49,950** | **49,950** |
| **2015** | | | | |
| **Non-current** | | | | |
| Available-for-sale financial assets | 15,740 | – | – | 15,740 |
| | Note 9.1 | | Note 9.1 | |

**Note 9.1**

In 2014, the Company acquired a 13.86% equity interest in PanGen Biotech Inc. ("PanGen") for a total cash consideration of KRW 5 billion or equivalent to RM15,740,000.

On 11 March 2016, PanGen was listed on Korean Securities Dealers Automated Quotations ("KOSDAQ"). Pursuant to the listing, the Company has an effective interest of 9.34% in PanGen.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 10. DEFERRED TAX (ASSETS)/LIABILITIES

**Recognised deferred tax (assets) and liabilities**

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

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| **Group** | | | | | | |
| Property, plant and equipment | **(27)** | – | **33,348** | 31,547 | **33,321** | 31,547 |
| Investment properties | **–** | – | **5,914** | – | **5,914** | – |
| Provisions | **(5,596)** | (6,014) | **–** | – | **(5,596)** | (6,014) |
| Other temporary differences | **(6,494)** | (7,903) | **4,428** | 5,307 | **(2,066)** | (2,596) |
| Tax losses/tax incentives carry-forwards | **(11,017)** | (11,267) | **–** | – | **(11,017)** | (11,267) |
| Tax (assets)/liabilities | **(23,134)** | (25,184) | **43,690** | 36,854 | **20,556** | 11,670 |
| Set off of tax | **14,081** | 17,558 | **(14,081)** | (17,558) | **–** | – |
| Net tax (assets)/liabilities | **(9,053)** | (7,626) | **29,609** | 19,296 | **20,556** | 11,670 |
| **Company** | | | | | | |
| Property, plant and equipment | **–** | – | **3,877** | 4,539 | **3,877** | 4,539 |
| Investment properties | **–** | – | **12,322** | 8,182 | **12,322** | 8,182 |
| Other temporary differences | **(690)** | (659) | **–** | – | **(690)** | (659) |
| Tax (assets)/liabilities | **(690)** | (659) | **16,199** | 12,721 | **15,509** | 12,062 |
| Set off of tax | **690** | 659 | **(690)** | (659) | **–** | – |
| Net tax (assets)/liabilities | **–** | – | **15,509** | 12,062 | **15,509** | 12,062 |

## 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:

| | Group 2016 | Group 2015 |
|---|---|---|
| Tax losses carry-forwards | **(114,065)** | (65,711) |
| Other temporary differences | **(14,303)** | (7,728) |
| | **(128,368)** | (73,439) |

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 1.1.2015 | Recognised in profit or loss (Note 20) | At 31.12.2015/ 1.1.2016 | Recognised in profit or loss (Note 20) | Recognised in other comprehen -sive income | At 31.12.2016 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Property, plant and equipment | 23,614 | 7,933 | **31,547** | 1,774 | – | **33,321** |
| Investment properties | – | – | **–** | – | 5,914 | **5,914** |
| Provisions | (2,168) | (3,846) | **(6,014)** | 418 | – | **(5,596)** |
| Other temporary differences | 1,364 | (3,960) | **(2,596)** | 530 | – | **(2,066)** |
| Tax losses/tax incentives carry-forwards | (15,084) | 3,817 | **(11,267)** | 250 | – | **(11,017)** |
| | 7,726 | 3,944 | **11,670** | 2,972 | 5,914 | **20,556** |
| **Company** | | | | | | |
| Property, plant and equipment | 5,650 | (1,111) | **4,539** | (662) | – | **3,877** |
| Investment properties | 6,653 | 1,529 | **8,182** | 4,140 | – | **12,322** |
| Other temporary differences | (85) | (574) | **(659)** | (31) | – | **(690)** |
| | 12,218 | (156) | **12,062** | 3,447 | – | **15,509** |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 11. TRADE AND OTHER RECEIVABLES

| | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| **Non-trade** | | | | | |
| Amount due from subsidiaries | 11.1 | **–** | – | **454,959** | 444,152 |
| **Total non-current** | | **–** | – | **454,959** | 444,152 |
| **Current** | | | | | |
| **Trade** | | | | | |
| Trade receivables | 11.2 | **157,799** | 199,449 | **–** | – |
| **Non-trade** | | | | | |
| Amount due from subsidiaries | 11.3 | **–** | – | **53,420** | 151,262 |
| Amount due from associate | 11.3 | **46** | 57 | **38** | 41 |
| Deposits | | **9,818** | 10,267 | **305** | 308 |
| Other receivables | | **11,921** | 9,341 | **7,445** | 581 |
| Prepayments | | **15,831** | 8,804 | **–** | 19 |
| | | **37,616** | 28,469 | **61,208** | 152,211 |
| **Total current** | | **195,415** | 227,918 | **61,208** | 152,211 |

**11.1** The amount due from subsidiaries relates to advances which are unsecured, subject to interest of 4.73% per annum (2015: 4.24% per annum) and are not repayable over the next 12 months. The Company recognised an impairment loss of RM34,762,000 (2015: RM65,065,000) with respect to its advances to subsidiaries during the year.

**11.2** Included in the trade receivables are amount due from a significant investor that has influence over a subsidiary of RM265,000 (2015: RM473,000).

**11.3** Included in non-trade amount due from subsidiaries are advances to subsidiaries of RM Nil (2015: RM14,738,000) which are unsecured, subject to interest of Nil per annum (2015: 4.24%).

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

## 12. INVENTORIES

| | Group 2016 | Group 2015 |
|---|---|---|
| Raw materials | **56,329** | 115,843 |
| Work-in-progress | **6,830** | 4,404 |
| Finished goods | **107,691** | 76,388 |
| Spares and consumables | **2,242** | 2,616 |
| | **173,092** | 199,251 |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | **551,423** | 728,440 |
| Write-down to net realisable value | **21,456** | 12,626 |
| Write-off of inventories | **16,005** | 2,776 |
| Reversal of provision for obsolete stocks | **(1,050)** | (2,116) |

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

## 13. CASH AND CASH EQUIVALENTS

| | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| Cash and bank balances | | **127,884** | 95,929 | **11,172** | 3,000 |
| Deposits placed with financial institutions | 13.1 | **64,568** | 117,629 | **47,364** | 33,165 |
| Highly liquid investments with financial institutions | 13.2 | **95,865** | 111,000 | **14,456** | 15,000 |
| | | **288,317** | 324,558 | **72,992** | 51,165 |

### 13.1 Deposits placed with financial institutions

Included in the Group's deposits placed with financial institutions is RM Nil (2015: RM15,000,000) pledged for bank overdraft facility granted to a subsidiary.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 14. DISPOSAL GROUP HELD FOR SALE

In 2015, the Group committed to a plan to 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. The sale of disposal group was completed during the financial year.

On 20 May 2016, a wholly owned subsidiary, P.T. CCM Agripharma completed the sale of three (3) parcels of land in Medan, Indonesia measuring in aggregate 75,339 square meters together with the building thereon to P.T. Feedmill Indonesia for a cash consideration of Indonesian Rupiah 121.8 billion, equivalent to RM37.2 million, on an "as is where is" basis. A gain of RM21.5 million was recognised from the disposal.

On 15 November 2016, the Company and its subsidiary, CCM Agri-Max Sdn. Bhd. completed the disposals of 100% equity interests in CCM Agriculture Sdn. Bhd. and CCM Agriculture (Sabah) Sdn. Bhd. and certain trademark under Cock's Head Brand, for a revised cash consideration of RM40.8 million; and two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the buildings thereon for cash consideration of RM35.0 million. A loss of RM24.5 million was recognised from the disposal.

During the financial year, an investment property is presented as asset held for sale following the commitment of the management during the year to a plan to sell the investment property. Efforts to sell the asset have commenced, and a sale is expected to be completed in the following year.

The assets and liabilities of the disposal group are as follows:

| | | Group | |
|---|---|---|---|
| | | **2016** | **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 |
| Investment property | | **1,000** | – |
| | | **1,000** | 159,542 |
| **Liabilities classified as held for sale** | | | |
| Payables and accruals | | – | 14,577 |
| Borrowings | | – | 70,730 |
| Current tax liabilities | | – | 3 |
| | | – | 85,310 |

## 14. DISPOSAL GROUP HELD FOR SALE (CONTINUED)

| | Company | |
|---|---|---|
| | **2016** | **2015** |
| **Assets classified as held for sale** | | |
| Investment property | – | 13,600 |

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.

**Note a**
Property, plant and equipment held for sale comprise the following:

| | | Group | |
|---|---|---|---|
| | | **2016** | **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:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| Cost | – | 8,849 |
| Accumulated depreciation and impairment loss | – | (3,879) |
| | – | 4,970 |

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

**Note d**
Receivables were carried at cost less an impairment loss of RM6,512,000.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 15. CAPITAL AND RESERVES

### 15.1 Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | 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 2016, the Group held 2,998,000 (2015: 2,998,000) of the Company's shares. There was no repurchase of issued share capital in the current financial year.

### 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 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **Non-current - unsecured** | | | | | |
| Term loan | 16.1 | **536,118** | 454,379 | 394,320 | 300,570 |
| | | **536,118** | 454,379 | 394,320 | 300,570 |
| **Current - unsecured** | | | | | |
| Bankers' acceptances | | **2,885** | 34,770 | – | – |
| Term loan | 16.1 | **16,250** | 7,989 | 6,250 | – |
| Revolving credit and trade facilities | 16.2 | **66,498** | 35,958 | 40,000 | – |
| Sukuk Musyarakah | 16.3 | **–** | 100,000 | – | 100,000 |
| | | **85,633** | 178,717 | 46,250 | 100,000 |

### 16.1 Unsecured term loan

(i) The Company obtained a RM150.57 million, 3 years unsecured term loan at the rate of 4.70% per annum (2015: 4.70% per annum) which matures in April 2018.

(ii) The Company obtained a RM150 million, 3 years unsecured term loan at the rate of 4.93% per annum (2015: 4.93% per annum) which matures in December 2018.

The significant covenants for the unsecured term loan (i) to (ii) 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, other reserves, 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 16. LOANS AND BORROWINGS (CONTINUED)

### 16.1 Unsecured term loan (continued)

(iii) The Company obtained a RM100 million, 5 years unsecured term loan at a profit rate of approximately 4.90%, repayable through 16 quarterly instalments. The purpose of the said term loan is to refinance the Company's remaining borrowings of RM100.0 million Unrated Sukuk Musyarakah matured on 25 August 2016. On 16 August 2016, the Company drawn down the said term loan of RM100.0 million, and hence shall expire on 16 August 2021.

The significant covenants for the unsecured term loan (iii) above are as follows:

(a) Permodalan Nasional Berhad shall at all time, directly or indirectly, own at least 51% of the Company's issued and paid up share capital.

(b) Submission of audited financial statements within six months after financial year end closing.

(c) Payment of all rents, rates and taxes as appropriate on timely basis.

(d) Not to enter into any management contract or similar arrangement where business is managed by third parties.

(e) Gearing not to exceed 1.5 times. Gearing is defined as total financing/ borrowings from all financial institutions against total tangible shareholder funds.

(f) No additional bank financings/ borrowings without prior written permission from the Bank in which consent shall not be unreasonably withheld.

(iv) 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 floating rate of approximately 4.50% per annum (2015: approximately 4.50% per annum).

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

(a) It is a condition that CCM Marketing Sdn. Bhd. shall at all time, directly or indirectly, owns its 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.

(v) CCM Chemicals Sdn. Bhd. ("CCMC"), a subsidiary of the Company, obtained a RM50 million, 5 years unsecured term loan at the floating rate of approximately 4.70% per annum (2015: approximately 4.86% per annum) which matures in October 2020.

The significant covenants for the unsecured term loan (v) above 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)

### 16.2 Unsecured revolving credit and trade facilities

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.

### 16.3 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:-

<u>Financial Covenants</u>
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

<u>Negative Covenants</u>

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 of 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.

The above USM had been fully settled on their maturity in 2016.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 17. PROVISION

| | Group 2016 | Group 2015 |
|---|---|---|
| **Warranties** | | |
| At 1 January | **964** | 758 |
| Provision made during the year | **–** | 206 |
| Provision reversed during the year | **(471)** | – |
| At 31 December | **493** | 964 |

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 1 year (2015: 2 years).

## 18. TRADE AND OTHER PAYABLES

| | Note | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade payables | | **75,151** | 74,308 | **10** | – |
| **Non-trade** | | | | | |
| Accrued expenses | | **34,237** | 41,103 | **7,170** | 11,121 |
| Amount due to subsidiaries | 18.1 | **–** | – | **14,756** | 3,107 |
| Other payables | | **31,842** | 31,968 | **3,867** | 2,445 |
| | | **66,079** | 73,071 | **25,793** | 16,673 |
| | | **141,230** | 147,379 | **25,803** | 16,673 |

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

## 19. REVENUE

| | Continuing operations 2016 | Continuing operations 2015 | Discontinued operation (see Note 21) 2016 | Discontinued operation (see Note 21) 2015 | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Sales | **608,879** | 629,537 | **145,924** | 367,509 | **754,803** | 997,046 |
| Rental income from - property | **435** | 793 | **–** | – | **435** | 793 |
| | **609,314** | 630,330 | **145,924** | 367,509 | **755,238** | 997,839 |
| **Company** | | | | | | |
| Rental income from - property | **4,561** | 5,196 | **–** | – | **4,561** | 5,196 |
| Dividends | **23,757** | – | **–** | – | **23,757** | – |
| | **28,318** | 5,196 | **–** | – | **28,318** | 5,196 |

## 20. TAX EXPENSE

***Recognised in profit or loss***

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Tax expense on continuing operations | **14,569** | 24,372 | **5,063** | 234 |
| Tax expense on discontinued operation | **66** | 5,809 | **–** | – |
| Share of tax of equity accounted associate | **400** | 521 | **–** | – |
| Total tax expense | **15,035** | 30,702 | **5,063** | 234 |

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Major components of income tax expense include: | | | | |
| **Current tax expense** | | | | |
| Malaysian - current year | **14,033** | 26,568 | **2,999** | 1,383 |
| - prior year | **(2,969)** | (359) | **(1,383)** | (993) |
| Overseas - current year | **599** | 1 | **–** | – |
| - prior year | **–** | 27 | **–** | – |
| Total current tax recognised in profit or loss | **11,663** | 26,237 | **1,616** | 390 |
| **Deferred tax expense** | | | | |
| Origination and reversal of temporary differences | **4,680** | 287 | **3,684** | (198) |
| (Over)/Under provision in prior years | **(1,708)** | 3,657 | **(237)** | 42 |
| Total deferred tax recognised in profit or loss (Note 10) | **2,972** | 3,944 | **3,447** | (156) |
| | **14,635** | 30,181 | **5,063** | 234 |
| Share of tax of equity accounted associate | **400** | 521 | **–** | – |
| Total tax expense | **15,035** | 30,702 | **5,063** | 234 |

**Reconciliation of effective tax rate**

| | Group 2016 % | Group 2015 % | Company 2016 % | Company 2015 % |
|---|---|---|---|---|
| Loss before tax | **(100)** | (100) | **(100)** | (100) |
| Income tax calculated using Malaysian tax rate of 24% (2015: 25%) | **(24)** | (25) | **(24)** | (25) |
| Non-deductible expenses | **41** | 58 | **91** | 39 |
| Non-taxable income | **(7)** | (5) | **(55)** | (12) |
| (Over)/Under provision in prior years | **(7)** | 8 | **(3)** | (2) |
| Impairment of deferred tax assets in Fertilizers operating segment | **–** | 39 | **–** | – |
| Changes in unrecognised temporary differences | **18** | – | **–** | – |
| Others | **–** | (4) | **–** | – |
| | **21** | 71 | **9** | – |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 21. DISCONTINUED OPERATION

In 2015, the Group decided to scale down its business operations for Fertilizers operating segment following continuing losses incurred by this operating segment. The segment was presented as discontinued operation or held for sale.

Loss attributable to the discontinued operation was as follow:

**Results of discontinued operation**

| | | Group | |
|---|---|---|---|
| | **Note** | **2016** | **2015** |
| Revenue | 19 | **145,924** | 367,509 |
| Expenses | | **(244,665)** | (463,563) |
| **Results from operating activities** | | **(98,741)** | (96,054) |
| Tax expense | 20 | **(66)** | (5,809) |
| **Results from operating activities, net of tax** | | **(98,807)** | (101,863) |
| Loss on sale of discontinued operation | | **(3,016)** | – |
| Tax on disposal of discontinued operation | | **(1,050)** | – |
| **Results from operating activities, net of tax** | | **(102,873)** | (101,863) |
| **Included in results from operating activities are:** | | | |
| Depreciation of property, plant and equipment | | **4,803** | 12,385 |
| Amortisation of prepaid lease payments | | **–** | 387 |

The loss from discontinued operation is attributable to:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| Owners of the Company | **(72,940)** | (82,261) |
| Non-controlling interests | **(29,933)** | (19,602) |
| **Loss for the year** | **(102,873)** | (101,863) |
| **Cash flows from/(used in) discontinued operation** | | |
| Net cash from/(used in) operating activities | **29,462** | (55,209) |
| Net cash from/(used in) investing activities | **98,965** | (2,089) |
| Net cash (used in)/from financing activities | **(28,370)** | 44,933 |
| Effect on cash flows | **100,057** | (12,365) |

## 21. DISCONTINUED OPERATION (CONTINUED)

**Effect of disposal on the financial position of the Group**

| | Group 2016 |
|---|---|
| Property, plant and equipment | 56,425 |
| Prepaid lease payments | 4,970 |
| Inventories | 26,230 |
| Trade and other receivables | 42,570 |
| Current tax assets | 127 |
| Cash and cash equivalents | 4,634 |
| Trade and other payables | (18,866) |
| **Net assets and liabilities** | 116,090 |
| Loss on sale of discontinued operation | (3,016) |
| | 113,074 |
| Payment made on behalf by the purchaser | (9,487) |
| Consideration received, satisfied in cash | 103,587 |
| Cash and cash equivalents disposed of | (4,634) |
| **Net cash inflow** | 98,953 |

| | |
|---|---|
| **Loss on sale of disposal group held for sale** | |
| **Discontinued operation** | |
| -Attributable to loss on disposed interest | (3,016) |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 22. LOSS FOR THE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Loss for the year is arrived at after charging:** | | | | |
| Amortisation of prepaid lease payments | **–** | 387 | **–** | – |
| Auditors' remuneration: | | | | |
| - Statutory Audit | | | | |
| KPMG | **539** | 558 | **85** | 85 |
| Other auditors | **164** | 129 | **–** | – |
| - Other services | | | | |
| KPMG | **52** | 112 | **35** | 52 |
| Depreciation of property, plant and equipment | **50,191** | 54,110 | **3,515** | 3,624 |
| Impairment loss: | | | | |
| - Property, plant and equipment | **4,606** | 37,604 | **–** | – |
| - Trade receivables | **11,956** | 4,156 | **–** | – |
| - Other receivables | **4,779** | – | **–** | – |
| - Amount due from subsidiaries | **–** | – | **34,762** | 65,065 |
| - Investment in subsidiaries | **–** | – | **42,435** | 38,853 |
| Interest expense: | | | | |
| - Subsidiaries | **–** | – | **15** | 20 |
| - Bank overdraft | **2** | 136 | **–** | – |
| - Revolving credits | **4,301** | 5,355 | **2,808** | 573 |
| - Bankers' acceptances | **1,845** | 2,352 | **–** | – |
| - Unsecured term loan | **23,692** | 15,481 | **16,583** | 12,561 |
| - Others | **4,678** | 6,784 | **3,148** | 4,643 |
| Net loss on disposal of: | | | | |
| - Property, plant and equipment | **–** | 699 | **–** | – |
| - Investment in subsidiary | **–** | – | **92,398** | – |
| Personnel expenses (including key management personnel) | | | | |
| - Contribution to Employees Provident Fund | **12,247** | 14,706 | **2,568** | 2,343 |
| - Wages, salaries and others | **100,456** | 116,090 | **14,601** | 16,786 |
| Property, plant and equipment written off | **1,324** | 206 | **–** | 10 |
| Rental expenses in respect of: | | | | |
| - Property leases | **9,981** | 8,584 | **1,209** | 1,209 |
| - Property | **1,071** | 219 | **19** | 18 |
| - Equipment | **104** | 469 | **104** | 159 |
| Research and development costs expensed as incurred | **9,745** | 9,371 | **–** | – |

## 22. LOSS FOR THE YEAR (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Loss for the year is arrived at after charging: (continued)** | | | | |
| Realised foreign exchange loss | **430** | 2,081 | **–** | 18 |
| Write-down of inventories | **21,456** | 12,626 | **–** | – |
| Write-off of inventories | **16,005** | 2,776 | **–** | – |
| Unrealised foreign exchange loss | **8,127** | 294 | **522** | 760 |
| **and after crediting:** | | | | |
| Change in fair value of investment properties | **–** | 5,755 | **83,200** | 28,115 |
| Interest income: | | | | |
| - Subsidiaries | **–** | – | **20,292** | 18,373 |
| - Fixed deposits | **5,301** | 5,106 | **881** | 2,436 |
| - Others | **4,363** | 824 | **1,642** | 39 |
| Dividend income from other investment - quoted shares in Malaysia | **3** | – | **–** | – |
| Net gain on disposal of: | | | | |
| - Asset held for sale | **–** | – | **20,350** | – |
| - Property, plant and equipment | **118** | – | **–** | 171 |
| - Investment in subsidiaries | **–** | – | **–** | 26,046 |
| Realised foreign exchange gain | **1,945** | 3,225 | **23** | – |
| Reversal of: | | | | |
| - Impairment on trade receivables | **3,908** | 308 | **–** | – |
| - Provision of warranty | **471** | – | **–** | – |
| - Provision of obsolete stocks | **1,050** | – | **–** | – |
| Rental income from property | **435** | 1,037 | **4,561** | 5,196 |
| Unrealised foreign exchange gain | **6,239** | 7,162 | **–** | – |
| Write back of amount due to subsidiaries | **–** | – | **–** | 4,924 |

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

**Basic earnings/(loss) per ordinary share**

The calculation of basic earnings/(loss) per ordinary share at 31 December 2016 was based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operation** | **Total** | **Continuing operations** | **Discontinued operation** | **Total** |
| Profit/(Loss) for the year attributable to ordinary shareholders | **9,311** | **(72,940)** | **(63,629)** | 19,785 | (82,261) | (62,476) |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| Weighted average number of ordinary shares at 31 December | **454,632** | 454,632 |

| | **2016 Sen** | **2015 Sen** |
|---|---|---|
| From continuing operations | **2.05** | 4.35 |
| From discontinued operation | **(16.04)** | (18.09) |
| Basic loss per ordinary share | **(13.99)** | (13.74) |

**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 2016 and 31 December 2015.

## 24. DIVIDENDS

Dividends recognised by the Company:

| | **Sen per share** | **Total amount** | **Date of payment** |
|---|---|---|---|
| **2016** | | | |
| Interim 2016 ordinary | 2.50 | **11,366** | 3 June 2016 |
| Interim 2016 ordinary | 2.50 | **11,366** | 18 November 2016 |
| Total amount | | **22,732** | |
| **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 | |

## 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 - Manufacturing and marketing of pharmaceutical and healthcare products.
- Chemicals - Manufacturing and marketing of chlor-alkali and coagulant products, industrial and specialty chemicals.
- Polymers - Manufacturing and selling of industrial cleaner and hydrogel coating products.
- Fertilizers - Trading 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 2016 and 2015.

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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 25. OPERATING SEGMENTS (CONTINUED)

| | Pharmaceuticals | | Chemicals | | Polymers | | Fertilizers (discontinued) | | Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Segment profit/ (loss)** | **26,826** | 36,391 | **13,087** | (636) | **13,605** | 19,188 | **(102,873)** | (101,863) | **(62,282)** | (53,235) | **27,799** | 26,899 | **(83,838)** | (73,256) |
| *Included in the measure of segment profit/ (loss) are:* | | | | | | | | | | | | | | |
| Total external revenue | **312,940** | 334,769 | **214,740** | 213,946 | **81,206** | 80,809 | **145,924** | 367,509 | **428** | 806 | **–** | – | **755,238** | 997,839 |
| Inter-segment revenue | **–** | – | **–** | – | **–** | – | **–** | – | **4,133** | 4,403 | **(4,133)** | (4,403) | **–** | – |
| Write-down of inventories | **(5,946)** | (3,674) | **(1,793)** | – | **–** | – | **(13,717)** | (8,952) | **–** | – | **–** | – | **(21,456)** | (12,626) |
| Write-off of inventories | **–** | (2,776) | **–** | – | **(316)** | – | **(15,689)** | – | **–** | – | **–** | – | **(16,005)** | (2,776) |
| Impairment of property, plant and equipment | **–** | – | **–** | – | **–** | – | **–** | (37,604) | **(4,606)** | – | **–** | – | **(4,606)** | (37,604) |
| Depreciation and amortisation | **(22,500)** | (21,532) | **(17,091)** | (15,455) | **(533)** | (267) | **(4,803)** | (12,772) | **(3,515)** | (3,624) | **(1,749)** | (847) | **(50,191)** | (54,497) |
| Share of profit of associate | – | – | **1,770** | 948 | **–** | – | **–** | – | **–** | – | **–** | – | **1,770** | 948 |
| *Not included in the measure of segment profit but provided to Group Managing Director:* | | | | | | | | | | | | | | |
| Finance costs | **(5,550)** | (7,350) | **(4,099)** | (3,996) | **(120)** | (118) | **(1,895)** | (8,526) | **(41,549)** | (30,768) | **18,695** | 20,650 | **(34,518)** | (30,108) |
| Finance income | **4,234** | 5,494 | **1,599** | 1,043 | **1,090** | 781 | **283** | 460 | **22,831** | 20,852 | **(20,373)** | (22,700) | **9,664** | 5,930 |
| Tax expense | **(4,653)** | (9,670) | **(4,930)** | (7,261) | **(4,081)** | (6,010) | **(66)** | (5,809) | **(5,064)** | (234) | **4,159** | (1,197) | **(14,635)** | (30,181) |

## 25. OPERATING SEGMENTS (CONTINUED)

| | Pharmaceuticals | | Chemicals | | Polymers | | Fertilizers (discontinued) | | Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Segment assets** | **661,463** | 633,446 | **277,641** | 269,295 | **168,179** | 163,458 | **52,348** | 346,725 | **1,525,208** | 1,521,340 | **(999,527)** | (1,197,358) | **1,685,312** | 1,736,906 |
| *Included in the measure of segment assets are:* | | | | | | | | | | | | | | |
| Investment in associate | **–** | – | **14,856** | 16,146 | **–** | – | **–** | – | **–** | – | **71** | 71 | **14,927** | 16,217 |
| Additions to non-current assets other than financial instrument and deferred tax assets | **34,953** | 34,084 | **64,946** | 10,562 | **1,785** | – | **315** | 2,089 | **905** | 467 | **–** | – | **102,904** | 47,202 |

### Geographical segments

The Pharmaceuticals, Chemicals, Polymers 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Geographical segments** | | | | | | | | | | | | |
| External revenue | **586,861** | 587,396 | **–** | 7,724 | **14,534** | 26,002 | **7,919** | 9,208 | **145,924** | 367,509 | **755,238** | 997,839 |
| Segment assets | **1,576,162** | 1,304,665 | **9,406** | 12,026 | **13,930** | 18,615 | **33,466** | 19,945 | **52,348** | 381,655 | **1,685,312** | 1,736,906 |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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 |
|---|---|---|---|
| **2016** | | | |
| **Financial assets** | | | |
| **Group** | | | |
| Other investments | **50,074** | **–** | **50,074** |
| Trade and other receivables | **179,584** | **179,584** | **–** |
| Cash and cash equivalents | **288,317** | **288,317** | **–** |
| | **517,975** | **467,901** | **50,074** |
| **Company** | | | |
| Other investments | **49,950** | **–** | **49,950** |
| Trade and other receivables | **516,167** | **516,167** | **–** |
| Cash and cash equivalents | **72,992** | **72,992** | **–** |
| | **639,109** | **589,159** | **49,950** |
| **Financial liabilities** | | | |
| **Group** | | | |
| Loans and borrowings | **(621,751)** | **(621,751)** | **–** |
| Trade and other payables | **(141,230)** | **(141,230)** | **–** |
| | **(762,981)** | **(762,981)** | **–** |
| **Company** | | | |
| Loans and borrowings | **(440,570)** | **(440,570)** | **–** |
| Trade and other payables | **(25,803)** | **(25,803)** | **–** |
| | **(466,373)** | **(466,373)** | **–** |

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.1 Categories of financial instruments (continued)

| | 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)

### 26.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Net gains/(losses) on:** | | | | |
| Available-for-sale: | | | | |
| - recognised in other comprehensive income | **34,210** | – | **34,210** | – |
| - recognised in profit or loss | **3** | – | **–** | – |
| Loans and receivables | **(3,118)** | 10,094 | **(12,446)** | (44,995) |
| Financial liabilities measured at amortised cost | **(34,518)** | (30,108) | **(22,554)** | (12,873) |
| | **(3,423)** | (20,014) | **(790)** | (57,868) |

### 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.

## 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 | |
|---|---|---|
| | **2016** | **2015** |
| Malaysia | **147,479** | 189,900 |
| Indonesia | **2,238** | 2,775 |
| Others | **8,082** | 6,774 |
| | **157,799** | 199,449 |

***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** | | | | |
| **2016** | | | | |
| Not past due | **121,027** | **–** | **–** | **121,027** |
| Past due 0-30 days | **19,204** | **–** | **–** | **19,204** |
| Past due 31-180 days | **14,391** | **(6)** | **–** | **14,385** |
| Past due more than 181 days | **30,118** | **(23,680)** | **(3,255)** | **3,183** |
| | **184,740** | **(23,686)** | **(3,255)** | **157,799** |
| **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 |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.4 Credit risk (continued)

#### (i) Receivables (continued)

***Impairment losses (continued)***

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

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| At 1 January | **20,663** | 21,676 |
| Impairment loss recognised | **11,956** | 4,156 |
| Impairment loss reversed | **(3,908)** | (308) |
| Impairment loss written-off | **(2,379)** | (6,512) |
| Foreign exchange differences | **609** | 1,651 |
| At 31 December | **26,941** | 20,663 |

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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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 years | 1 - 2 years | 2 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2016** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Unsecured term loan | **552,368** | **4.50% - 4.93%** | **613,968** | **27,801** | **412,577** | **147,219** | **26,371** |
| Unsecured bankers' acceptances | **2,885** | **4.40%** | **3,012** | **3,012** | **–** | **–** | **–** |
| Unsecured revolving credit and trade facilities | **66,498** | **4.05% - 4.46%** | **69,075** | **69,075** | **–** | **–** | **–** |
| Trade and other payables | **141,230** | **–** | **141,230** | **141,230** | **–** | **–** | **–** |
| | **762,981** | | **827,285** | **241,118** | **412,577** | **147,219** | **26,371** |
| **2015** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| 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 |

## 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** | | | | | | |
| **2016** | | | | | | |
| *Non-derivative financial liabilities* | | | | | | |
| Unsecured term loan | **400,570** | **4.70% - 4.93%** | **438,317** | **11,150** | **374,842** | **52,325** |
| Unsecured revolving credit and trade facilities | **40,000** | **4.45% - 4.46%** | **41,782** | **41,782** | **–** | **–** |
| Trade and other payables | **25,803** | **–** | **25,803** | **25,803** | **–** | **–** |
| | **466,373** | | **505,902** | **78,735** | **374,842** | **52,325** |
| **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 | – |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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 | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Fixed rate instruments** | | | | |
| Financial assets | **64,568** | 117,629 | **502,323** | 492,055 |
| Financial liabilities | **(369,953)** | (471,298) | **(340,570)** | (400,570) |
| | **(305,385)** | (353,669) | **161,753** | 91,485 |
| **Floating rate instruments** | | | | |
| Financial liabilities | **(251,798)** | (161,798) | **(100,000)** | – |

***Interest rate risk sensitivity analysis***

***(a) 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.

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.6 Market risk (continued)

#### 26.6.1 Interest rate risk (continued)

***(b) Cash flow sensitivity analysis for variable rate instruments***

A change of 100 basis points ("bp") in interest rates 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 foreign currency rates, remain constant.

| | 2016 Profit or (loss) | | 2015 Profit or (loss) | |
|---|---|---|---|---|
| | **100 bp increase** | **100 bp decrease** | **100 bp increase** | **100 bp decrease** |
| **Group** | | | | |
| Floating rate instruments | **(1,914)** | **1,914** | (1,213) | 1,213 |
| **Company** | | | | |
| Floating rate instruments | **(760)** | **760** | – | – |

#### 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** |
| **2016** | | |
| Trade receivables | **3,765** | **–** |
| Trade payables | **(5,821)** | **–** |
| Loans and borrowings | **(6,498)** | **–** |
| Net exposure in the statements of financial position | **(8,554)** | **–** |
| **2015** | | |
| Trade receivables | 10,068 | 1,258 |
| Trade payables | (4,279) | – |
| Net exposure in the statements of financial position | 5,789 | 1,258 |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 26.6 Market risk (continued)

#### 26.6.2 Currency risk (continued)

***Currency risk sensitivity analysis***

A 10% (2015: 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) 2016 | Profit/(Loss) 2015 |
|---|---|---|
| **Group** | | |
| USD | **650** | (434) |
| IDR | **–** | (94) |

A 10% (2015: 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.

#### 26.6.3 Other price risk

Equity price risk arises from the Group's investment in equity securities.

*Risk management objectives, policies and processes for managing the risk*

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Group.

*Equity price risk sensitivity analysis*

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with FTSE Bursa Malaysia KLCI ("FBMKLCI") and the Korean Securities Dealers Automated Quotations ("KOSDAQ").

A 10% (2015: 10%) strengthening against the above indices at the end of the reporting period would have increased equity by RM5,007,400 (2015: RM12,400) for investments classified as available-for-sale. A 10% weakening against the above indices would have had equal but opposite effect on equity.

## 26. FINANCIAL INSTRUMENTS (CONTINUED)

### 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 Company'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 Company's investment continued to be carried at cost.

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 | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| **2016** | | | | | | | | | | |
| **Group** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Quoted shares | **50,074** | **–** | **–** | **50,074** | **–** | **–** | **–** | **–** | **50,074** | **50,074** |
| **Financial liabilities** | | | | | | | | | | |
| Unsecured term loan | **–** | **–** | **–** | **–** | **–** | **–** | **(480,122)** | **(480,122)** | **(480,122)** | **(536,118)** |
| | **50,074** | **–** | **–** | **50,074** | **–** | **–** | **(480,122)** | **(480,122)** | **(430,048)** | **(486,044)** |
| **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) |

## 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 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| **2016** | | | | | | | | | | |
| **Company** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Quoted shares | **49,950** | **–** | **–** | **49,950** | **–** | **–** | **–** | **–** | **49,950** | **49,950** |
| Amount due from subsidiaries | **–** | **–** | **–** | **–** | **–** | **–** | **414,792** | **414,792** | **414,792** | **454,959** |
| **Financial liabilities** | | | | | | | | | | |
| Unsecured term loan | **–** | **–** | **–** | **–** | **–** | **–** | **(362,703)** | **(362,703)** | **(362,703)** | **(394,320)** |
| | **49,950** | **–** | **–** | **49,950** | **–** | **–** | **52,089** | **52,089** | **102,039** | **110,589** |
| **2015** | | | | | | | | | | |
| **Company** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Amount due from subsidiaries | – | – | – | – | – | – | 408,755 | 408,755 | 408,755 | 444,152 |
| **Financial liabilities** | | | | | | | | | | |
| Unsecured term loan | – | – | – | – | – | – | (286,763) | (286,763) | (286,763) | (300,570) |
| | – | – | – | – | – | – | 121,992 | 121,992 | 121,992 | 143,582 |

## 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.

**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. (2015: 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 2016, the Group's strategy, which was unchanged from 2015, was to maintain the debt-to-equity ratio of not more than 1:1. The debt-to-equity ratio at 31 December 2016 and 31 December 2015 were as follows:

| | | **Group** | |
|---|---|---|---|
| | **Note** | **2016** | **2015** |
| Total loans and borrowings | 16 | **621,751** | 703,826 |
| Total equity | | **891,776** | 849,952 |
| Debt-to-equity ratios | | **0.70:1** | 0.83:1 |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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 | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Less than one year | **1,306** | 1,558 | **1,306** | 1,209 |
| Between one and five years | **130** | 201 | **130** | 201 |
| | **1,436** | 1,759 | **1,436** | 1,410 |

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 | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Capital expenditure commitments** | | | | |
| **Plant and equipment** | | | | |
| Authorised but not contracted for | **325,189** | 269,074 | **7,190** | 3,708 |
| Contracted but not provided for | **8,308** | 35,099 | **8** | 206 |
| | **333,497** | 304,173 | **7,198** | 3,914 |

## 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 | |
|---|---|---|
| | **2016** | **2015** |
| **Group** | | |
| Rental expense to holding company | **(1,209)** | (1,209) |
| Sales of products to significant investors that has influence over a subsidiary | **–** | 559 |
| **Company** | | |
| Dividend income from subsidiaries | **23,757** | – |
| Rental expense to holding company | **(1,209)** | (1,209) |
| Rental income from subsidiaries | **4,133** | 4,403 |
| Shared cost charged to subsidiaries | **16,259** | 15,385 |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 31. KEY MANAGEMENT PERSONNEL COMPENSATION

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Directors: | | | | |
| - Fees | **972** | 838 | **698** | 620 |
| - Remuneration | **1,504** | 1,244 | **776** | 419 |
| - Other short term employee benefits (including estimated monetary value of benefits-in-kind) | **280** | 306 | **228** | 250 |
| | **2,756** | 2,388 | **1,702** | 1,289 |
| Other key management personnel: | | | | |
| - Remuneration | **6,808** | 6,361 | **1,638** | 1,970 |
| - Other short term employee benefits (including estimated monetary value of benefits-in-kind) | **265** | 340 | **130** | 114 |
| | **7,073** | 6,701 | **1,768** | 2,084 |

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 2016, P.T. 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 RM11.0 million). The hearing of the appeals was concluded on 29 July 2015 and as at 31 December 2016, 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.

## 33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(i) On 20 May 2016, a wholly owned subsidiary, P.T. CCM Agripharma completed the sale of three (3) parcels of land in Medan, Indonesia measuring in aggregate 75,339 square meters together with the building thereon to P.T. Feedmill Indonesia for a cash consideration of Indonesian Rupiah 121.8 billion, equivalent to RM37.2 million, on an 'as is where is' basis. A gain of RM21.5 million was recognised from the disposal.

(ii) On 15 November 2016, the Company and its subsidiary, CCM Agri-Max Sdn. Bhd., completed the disposals of 100% equity interests in CCM Agriculture Sdn. Bhd. and CCM Agriculture (Sabah) Sdn. Bhd. and certain trademark under Cock's Head Brand, for a revised cash consideration of RM40.8 million; and two parcels of mixed zone/town land in Kemena Land district, Bintulu, Sarawak together with the buildings thereon for cash consideration of RM35.0 million. A loss of RM24.5 million was recognised from the disposal.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 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 | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| Total retained earnings of the Company and its subsidiaries | | | | |
| - realised | **255,901** | 230,416 | **(122,703)** | 39,963 |
| - unrealised | **24,405** | 38,038 | **164,898** | 85,145 |
| | **280,306** | 268,454 | **42,195** | 125,108 |
| Total share of retained earnings of associate | | | | |
| - realised | **13,385** | 14,533 | **–** | – |
| - unrealised | **134** | 276 | **–** | – |
| | **293,825** | 283,263 | **42,195** | 125,108 |
| Less: Consolidation adjustments | **(195,396)** | (98,473) | **–** | – |
| Total retained earnings | **98,429** | 184,790 | **42,195** | 125,108 |

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.