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 2018 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 2018 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 chemicals and polymers products and services as stated in Note 6 to the financial statements.

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 14 March 2019.

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 2016 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 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108*, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for MFRS 11 which are not applicable for the Group and the Company.

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

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

MFRS 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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are 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.

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(c) Functional and presentation currency

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

(d) Use of estimates and 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 estimates are 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 those disclosed in the following notes:

- Note 4 - valuation of investment properties
- Note 5 - measurement of the recoverable amounts of cash-generating units
- Note 25 - measurement of expected credit loss ("ECL")

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.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 31.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

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

(ii) Business combinations

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

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

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

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

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

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

(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) 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 a financial asset depending on the level of influence retained.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(v) 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, unless it is classified as held for sale or distribution. 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 remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

(vi) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vii) 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 which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

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

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the 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 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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

Previous financial year

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

All financial assets, except for those equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(k)(i)).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement as* follows:

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

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

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

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

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

(c) Available-for-sale financial assets

Available-for-sale category comprised investment in equity and debt instrument that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value cannot be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were 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 were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities

Current financial year

Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(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. Leased 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
• Long-term leasehold building	10 years to 50 years
• Renovation	10 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.

(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. Upon initial recognition, 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (continued)

(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 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, that forms part of the carrying amount of the equity-accounted associates.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(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.

(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.

(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 directly 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

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

The cost of inventories is calculated using the 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.

(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 costs 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.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(i) Financial assets (continued)

Current financial year (continued)

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(i) Financial assets (continued)

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was 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 had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was 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 was not reversed through profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset, investment property 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 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 a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(ii) Other assets (continued)

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.

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 amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

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

(l) Equity instruments

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

(i) Issue expenses

Costs directly attributable to the 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.

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

Notes to the Financial Statements

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 a 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.

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income (continued)

(i) Revenue (continued)

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) 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. Rental income from sub-leased property is recognised as other income.

(iii) 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.

(iv) 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.

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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax

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

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

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

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

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

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

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) Earnings per ordinary share

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

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, which comprise convertible notes and share options granted to employees.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

(t) 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.

(u) 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 (continued)

3. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land	Freehold land	Freehold buildings	Long-term leasehold buildings	Renovation	Plant, machinery and equipment	Asset under construction	Total
Group									
Cost									
At 1 January 2017		29,056	38,292	75,272	72,754	–	740,558	26,650	982,582
Additions		9,503	–	373	981	–	29,218	47,984	88,059
Effect of demerger	20	(13,659)	(38,292)	(75,645)	(57,878)	–	(272,136)	(73,599)	(531,209)
Disposals		–	–	–	–	–	(1,499)	(30)	(1,529)
Write-off		–	–	–	–	–	(6,354)	-	(6,354)
At 31 December 2017/1 January 2018		24,900	–	–	15,857	–	489,787	1,005	531,549
Additions		9,605	–	–	12,609	36	14,047	18,736	55,033
Disposals		–	–	–	–	–	(1,082)	-	(1,082)
Write-off		–	–	–	–	–	(102,831)	(152)	(102,983)
At 31 December 2018		**34,505**	**–**	**–**	**28,466**	**36**	**399,921**	**19,589**	**482,517**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land	Freehold land	Freehold buildings	Long-term leasehold buildings	Renovation	Plant, machinery and equipment	Asset under construction	Total
Group									
Depreciation and impairment loss									
At 1 January 2017		1,665	–	15,780	12,341	–	532,833	–	562,619
Depreciation for the year		2,232	–	3,232	1,635	–	39,664	–	46,763
Effect of demerger	20	(292)	–	(19,012)	(9,420)	–	(185,623)	–	(214,347)
Disposals		–	–	–	–	–	(1,221)	–	(1,221)
Impairment loss		–	–	–	–	–	185	–	185
Write-off		–	–	–	–	–	(6,296)	–	(6,296)
Effect of the movement in exchange rate		–	–	–	–	–	30	–	30
At 31 December 2017/1 January 2018									
Accumulated depreciation		**3,605**	**–**	**–**	**4,556**	**–**	**379,387**	**–**	**387,548**
Accumulated impairment loss		**–**	**–**	**–**	**–**	**–**	**185**	**–**	**185**
		3,605	**–**	**–**	**4,556**	**–**	**379,572**	**–**	**387,733**

Notes to the Financial Statements (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land	Freehold land	Freehold buildings	Long-term leasehold buildings	Renovation	Plant, machinery and equipment	Asset under construction	Total
Group									
At at 31 December 2017/1 January 2018 (continued)		**3,605**	**–**	**–**	**4,556**	**–**	**379,572**	**–**	**387,733**
Depreciation for the year		**515**	**–**	**–**	**1,611**	**1**	**20,796**	**–**	**22,923**
Disposals		**–**	**–**	**–**	**–**	**–**	**(1,034)**	**–**	**(1,034)**
Write-off		**–**	**–**	**–**	**–**	**–**	**(102,679)**	**–**	**(102,679)**
Effect of the movement in exchange rate		**–**	**–**	**–**	**–**	**–**	**6**	**–**	**6**
At 31 December 2018									
Accumulated depreciation		**4,120**	**–**	**–**	**6,167**	**1**	**296,476**	**–**	**306,764**
Accumulated impairment loss		**–**	**–**	**–**	**–**	**–**	**185**	**–**	**185**
		4,120	**–**	**–**	**6,167**	**1**	**296,661**	**–**	**306,949**
Carrying amounts									
At 1 January 2017		27,391	38,292	59,492	60,413	–	207,725	26,650	419,963
At 31 December 2017/1 January 2018	3.1	**21,295**	**–**	**–**	**11,301**	**–**	**110,215**	**1,005**	**143,816**
At 31 December 2018	3.1	**30,385**	**–**	**–**	**22,299**	**35**	**103,260**	**19,589**	**175,568**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Equipment	Renovation	Asset under construction	Total
Company				
Cost				
At 1 January 2017	38,735	–	208	38,943
Additions	99	–	–	99
Disposals	(938)	–	(30)	(968)
At 31 December 2017/1 January 2018	**37,896**	**–**	**178**	**38,074**
Additions	**73**	**36**	**17**	**126**
Disposals	**(105)**	**–**	**–**	**(105)**
Transfer of assets	**195**	**–**	**(195)**	**-**
At 31 December 2018	**38,059**	**36**	**–**	**38,095**
Depreciation				
At 1 January 2017	22,100	–	–	22,100
Depreciation for the year	3,499	–	–	3,499
Disposals	(909)	–	–	(909)
At 31 December 2017/1 January 2018	**24,690**	**–**	**–**	**24,690**
Depreciation for the year	**3,328**	**1**	**–**	**3,329**
Disposals	**(97)**	**–**	**–**	**(97)**
At 31 December 2018	**27,921**	**1**	**–**	**27,922**
Carrying amounts				
At 1 January 2017	16,635	–	208	16,843
At 31 December 2017/1 January 2018	**13,206**	**–**	**178**	**13,384**
At 31 December 2018	**10,138**	**35**	**–**	**10,173**

3.1 Leasehold land

At 31 December 2018, the net carrying amount of the Group's leasehold land was RM30,385,000 (2017: RM21,295,000). Leasehold land of the Group has an unexpired lease period of 23 to 83 years.

Notes to the Financial Statements

4. INVESTMENT PROPERTIES

		Group		Company	
	Note	2018	2017	2018	2017
At 1 January		**20,020**	210,370	**25,800**	211,320
Change in fair value recognised in profit or loss		**–**	200	**220**	380
Transfer from assets classified as held for sale	13	**–**	1,000	**–**	–
Transfer to assets classified as held for sale	13	**(19,800)**	(185,900)	**(19,800)**	(185,900)
Effect of demerger		**–**	(5,650)	**–**	–
At 31 December		**220**	20,020	**6,220**	25,800

Investment properties of the Group and the Company comprise a number of commercial properties that are leased to third parties 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.

During the financial year, a leasehold land amounting to RM19,800,000 have been transferred from investment property to assets classified as held for sale (see Note 13) following the commitment of the management during the year to a plan to sell the investment property.

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

	Group		Company	
	2018	2017	2018	2017
Rental income	**402**	420	**1,841**	3,701
Direct operating expenses:				
- income generating investment properties	**34**	31	**592**	1,155
- non-income generating investment properties	**–**	–	**52**	29

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information

Fair value of investment properties are categorised as follows:

	Level 3	Total
2018		
Group		
Freehold land	**220**	**220**
	220	**220**
Company		
Freehold land	**6,020**	**6,020**
Buildings	**200**	**200**
	6,220	**6,220**

	Level 3	Total
2017		
Group		
Freehold land	220	220
Leasehold land with unexpired lease period of more than 50 years	19,800	19,800
	20,020	20,020
Company		
Freehold land	5,807	5,807
Buildings	193	193
Leasehold land with unexpired lease period of more than 50 years	19,800	19,800
	25,800	25,800

Notes to the Financial Statements

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information (continued)

Level 3 fair value

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
At 1 January	**20,020**	210,370	**25,800**	211,320
Transfer from assets classified as held for sale	**–**	1,000	**–**	–
Transfer to assets classified as held for sale	**(19,800)**	(185,900)	**(19,800)**	(185,900)
Change in fair value - other income - unrealised	**–**	200	**220**	380
Effect of demerger	**–**	(5,650)	**–**	–
At 31 December	**220**	20,020	**6,220**	25,800

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

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

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment property 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 property is currently freehold and leasehold land, and buildings. The highest and best use of the property should be industrial land located nearby the Group's investment property.

5. INTANGIBLE ASSETS

	Goodwill	Marketing rights	Trade-marks	Brands	Development cost	Total
Group						
Cost						
At 1 January 2017	306,745	16,483	63	2,400	10,431	336,122
Additions	–	142	–	–	5,135	5,277
Effect of demerger (Note 20)	(212,211)	(16,625)	–	(2,400)	(15,566)	(246,802)
At 31 December 2017/ 1 January 2018	**94,534**	**–**	**63**	**–**	**–**	**94,597**
Write-off	**–**	**–**	**(63)**	**–**	**–**	**(63)**
At 31 December 2018	**94,534**	**–**	**–**	**–**	**–**	**94,534**
Accumulated impairment loss						
At 1 January 2017	22,980	15,787	–	800	–	39,567
Impairment loss	–	81	–	1,600	88	1,769
Effect of demerger (Note 20)	(22,553)	(15,868)	–	(2,400)	(88)	(40,909)
At 31 December 2017/ 1 January 2018/ 31 December 2018	**427**	**–**	**–**	**–**	**–**	**427**
Carrying amounts						
At 1 January 2017	283,765	696	63	1,600	10,431	296,555
At 31 December 2017/ 1 January 2018	**94,107**	**–**	**63**	**–**	**–**	**94,170**
At 31 December 2018	**94,107**	**–**	**–**	**–**	**–**	**94,107**

Company	**Trademark**
Cost/Carrying amount	
At 1 January 2017/31 December 2017/1 January 2018	63
Write-off	(63)
At 31 December 2018	–

Notes to the Financial Statements

5. INTANGIBLE ASSETS (CONTINUED)

5.1 Goodwill

The carrying amount of the goodwill of subsidiaries in the polymers segment, arising from acquisition through business combination, was assessed for impairment during the year.

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	
	2018	**2017**
Subsidiaries in Polymers division	**94,107**	94,107
	94,107	94,107

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.

For the purpose of impairment testing of Polymers division, 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 4 years (2017: 2 years) budget. In the prior year, cash flows for a further 3 years period were extrapolated using a growth rate of 5 percent. Management believes that these 4 years (2017: 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 4 years (2017: 2 years) budget and subsequently projected based on growth rate as stated in note (a) above.

(c) A pre-tax discount rate of 7.5 percent (2017: 7.1 percent). The discount was estimated based on the respective subsidiaries' weighted average cost of capital ("WACC").

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	**2017**
At cost:		
Unquoted shares	**305,167**	305,167
Less: Accumulated impairment loss	**(81,844)**	(87,223)
	223,323	217,944

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 2018 %	2017 %
CCM Agri-Max Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	**100.0**	100.0
CCM Fertilizers Sdn. Bhd. and its subsidiary:	Malaysia	Dormant	**50.1**	50.1
Max Agriculture Sdn. Bhd.*/^	Malaysia	Dormant	**50.1**	50.1
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	Ceased Operations	**100.0**	100.0
CCM Polymers Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacturing and selling of industrial and hydrogel coating products	**100.0**	100.0
Innovative Polymer Systems Sdn. Bhd.*/^	Malaysia	Dormant	**100.0**	100.0
Delta Polymer Systems Sdn. Bhd. */^	Malaysia	Dormant	**100.0**	100.0
CCM Chemicals Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacturing and marketing of chlor-alkali and coagulant products and marketing of industrial and specialty chemicals	**100.0**	100.0

Notes to the Financial Statements

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018	2017
CCM Watercare Sdn. Bhd.	Malaysia	Dormant	**100.0**	100.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	**100.0**	100.0
P.T. CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	**100.0**	100.0
Innovative Resins Sdn. Bhd.	Malaysia	Investment holding	**100.0**	100.0
CCM Marketing Sdn. Bhd. */^	Malaysia	Dormant	**100.0**	100.0
CCM Investments Limited**	British Virgin Islands	Dormant	**100.0**	100.0
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	**100.0**	100.0
P.T. CCM Agripharma*	Indonesia	Dormant	**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 PLT.
** Not required to be audited and consolidated based on unaudited financial statements.
^ The entities are in liquidation process during the year.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.1 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 subsidiaries 2018	2017
NCI percentage of ownership interest and voting interest	**49.90%**	49.90%
Carrying amount of NCI	**2,601**	(1,360)
Profit/(Loss) allocated to NCI	**5,049**	(3,174)
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	**186**	154
Current assets	**12,326**	16,799
Current liabilities	**(7,300)**	(19,678)
Net assets/(liabilities)	**5,212**	(2,725)
Year ended 31 December		
Revenue	**–**	2,447
Profit/(Loss) for the year	**10,119**	(6,360)
Total comprehensive income/(loss)	**10,151**	(6,330)
Cash flows from operating activities	**4,165**	2,969
Cash flows from investing activities	**6**	5
Cash flows used in financing activities	**(6,959)**	(8,931)
Net decrease in cash and cash equivalents	**(2,788)**	(5,957)

7. INVESTMENT IN ASSOCIATE

	Group 2018	2017
At cost:		
Unquoted shares	**1,408**	1,408
Share of post-acquisition reserves	**15,710**	14,200
Dividend received from the associate	**(3,465)**	–
	13,653	15,608

Notes to the Financial Statements

7. INVESTMENT IN ASSOCIATE (CONTINUED)

Details of a material associate are as follows:

Name of associate	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2018	2017
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	Associate	**45**	45

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 2018	2017
Summarised financial information		
Non-current assets	**4,736**	2,801
Current assets	**34,355**	35,947
Non-current liabilities	**(226)**	(373)
Current liabilities	**(8,683)**	(3,849)
Net assets	**30,182**	34,526
Total comprehensive income	**3,356**	1,514
Included in the total comprehensive income is:		
Revenue	**44,888**	31,352
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	**13,582**	15,537
Consolidated adjustments	**71**	71
Carrying amount in the statement of financial position	**13,653**	15,608
Group's share of results for the year ended 31 December		
Group's share of total comprehensive income	**1,510**	681
Other information		
Dividends received by the Group	**3,465**	–

8. OTHER INVESTMENTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
Non-current shares				
Available-for-sale	–	45,568	–	45,414
	–	45,568	–	45,414

8.1 Equity investments designated at fair value through other comprehensive income

At 1 January 2018, the Group designated the investments shown below as equity securities as at fair value through other comprehensive income because these equity securities represent investments that the Group intends to hold for long-term strategic purposes. As at 31 December 2018, these investments have been reclassified as assets held for sale (Note 13). In 2017, these investments were classified as available-for-sale.

	Fair value at 31 December 2018	Dividend income recognised during 2018
Group		
Shares quoted in Malaysia, reclassified as assets held for sale (Note 13)	**186**	**6**

8.2 Disposal of other investments

In 2014, the Group and the Company acquired a 13.86% equity interest in PanGen Biotech Inc. ("PanGen") for a total cash consideration of KRW5 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 Group and the Company have an effective interest of 9.34% in PanGen. During the year, the Group and the Company have fully disposed their entire interest in PanGen (see Note 32).

In the previous financial year, pursuant to the demerger of Duopharma Biotech Berhad ("DBB") (formerly known as CCM Duopharma Biotech Berhad), the Company distributed its interest in DBB shares to the shareholders of the Company by the way of a reduction of the paid up capital of the Company. The distribution led to some DBB shares left undistributed and these shares were disposed during the year.

The Group and the Company disposed the above investments which were carried at fair value through other comprehensive income because they were no longer in line with the Group's strategy.

	Fair value at derecognition	Cumulative gain on disposal	Dividend income recognised during 2018
Group and Company			
PanGen	59,156	43,416	–
DBB	279	279	5

Notes to the Financial Statements

9. DEFERRED TAX (ASSETS)/LIABILITIES

Recognised deferred tax (assets)/liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Group						
Property, plant and equipment	**–**	–	**15,206**	21,157	**15,206**	21,157
Investment properties	**–**	–	**4,344**	5,983	**4,344**	5,983
Provisions	**(3,708)**	(2,723)	**–**	–	**(3,708)**	(2,723)
Other deductible temporary differences	**(930)**	(2,247)	**102**	123	**(828)**	(2,124)
Tax losses/tax incentives carry-forwards	**(1,156)**	(1,173)	**–**	603	**(1,156)**	(570)
Tax (assets)/liabilities	**(5,794)**	(6,143)	**19,652**	27,866	**13,858**	21,723
Set off of tax	**4,436**	3,822	**(4,436)**	(3,822)	**–**	–
Net tax (assets)/liabilities	**(1,358)**	(2,321)	**15,216**	24,044	**13,858**	21,723
Company						
Property, plant and equipment	**–**	–	**2,274**	2,901	**2,274**	2,901
Investment properties	**–**	–	**4,344**	12,391	**4,344**	12,391
Other deductible temporary differences	**(491)**	(505)	**79**	–	**(412)**	(505)
Tax (assets)/liabilities	**(491)**	(505)	**6,697**	15,292	**6,206**	14,787
Set off of tax	**491**	505	**(491)**	(505)	**–**	–
Net tax liabilities	**–**	–	**6,206**	14,787	**6,206**	14,787

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018	**2017**
Tax losses carry-forwards	**(86,477)**	(91,492)
Other deductible temporary differences	**(11,972)**	(6,760)
	(98,449)	(98,252)

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.

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

Movement in temporary differences during the year

	At 1.1.2017	Recognised in profit or loss (Note 19)	Included in discontinued operation (Note 20)	At 31.12.2017/ 1.1.2018	Recognised in profit or loss (Note 19)	At 31.12.2018
Group						
Property, plant and equipment	33,321	7,104	(19,268)	**21,157**	(5,951)	**15,206**
Investment properties	5,914	69	–	**5,983**	(1,639)	**4,344**
Provisions	(5,596)	(3,125)	5,998	**(2,723)**	(985)	**(3,708)**
Other deductible temporary differences	(2,066)	506	(564)	**(2,124)**	1,296	**(828)**
Tax losses/tax incentives carry-forwards	(11,017)	(670)	11,117	**(570)**	(586)	**(1,156)**
	20,556	3,884	(2,717)	**21,723**	(7,865)	**13,858**
Company						
Property, plant and equipment	3,877	(976)	–	**2,901**	(627)	**2,274**
Investment properties	12,322	69	–	**12,391**	(8,047)	**4,344**
Other deductible temporary differences	(690)	185	–	**(505)**	93	**(412)**
	15,509	(722)	–	**14,787**	(8,581)	**6,206**

Notes to the Financial Statements

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Non-current					
Trade					
Amount due from subsidiaries		**–**	–	**3,804**	3,866
Non-trade					
Amount due from subsidiaries	10.1	**–**	–	**17,331**	20,925
Total non-current		**–**	–	**21,135**	24,791
Current					
Trade					
Trade receivables		**74,920**	93,377	**–**	–
Amount due from subsidiaries		**–**	–	**22**	3,470
Amount due from related companies		**40**	–	**–**	–
		74,960	93,377	**22**	3,470
Non-trade					
Amount due from related companies		**5,973**	20,424	**5,969**	–
Amount due from subsidiaries	10.1	**–**	–	**12,140**	24,484
Amount due from an associate		**79**	88	**62**	75
Deposits		**3,882**	1,991	**249**	326
Other receivables		**2,742**	13,322	**1,866**	11,884
Prepayments		**5,325**	6,803	**–**	–
		18,001	42,628	**20,286**	36,769
Total current		**92,961**	136,005	**20,308**	40,239

10.1 The non-trade amount due from subsidiaries relates to advances which are unsecured, subject to interest of 5.03% per annum (2017: 4.73% per annum).

11. INVENTORIES

	Group	
	2018	**2017**
Raw materials	**3,256**	10,002
Work-in-progress	**3,609**	4,202
Finished goods	**14,671**	16,083
Spares and consumables	**6,390**	1,058
Stock-in-transit	**720**	7,932
	28,646	39,277

Recognised in profit or loss:		
Inventories recognised as cost of sales	**291,794**	550,149
Write-down of inventories to net realisable value	**1,337**	5,924
Provision for/(Reversal of) obsolete stocks	**1,012**	(2,464)
	294,143	553,609

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

12. CASH AND CASH EQUIVALENTS

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
Cash and bank balances		**46,747**	66,907	**6,213**	11,742
Deposits placed with financial institutions		**6,659**	15,133	**2,056**	5,363
Highly liquid investments with financial institutions	12.1	**82,891**	78,305	**16,691**	43,550
		136,297	160,345	**24,960**	60,655

12.1 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.

13. ASSETS CLASSIFIED AS HELD FOR SALE

An investment property of the Group and the Company is presented as asset held for sale following the commitment of the management during the financial year to a plan to sell the investment property.

In 2017, the Company entered into a Sale and Purchase Agreement for disposal of three parcels of leasehold land measuring approximately 70.93 acres for a cash consideration of RM190 million to Global Vision Logistics Sdn. Bhd. and the disposal was completed on 13 June 2018.

Notes to the Financial Statements

13. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

On 7 September 2018, the Company entered into a Sale and Purchase Agreement with Rock Link Sdn. Bhd. to dispose off a piece of leasehold land measuring 18.21 acres in Mukim of Labu, District of Seremban, Negeri Sembilan for a cash consideration of RM21.5 million.

As at 31 December 2018, the Group has designated equity securities investments amounting to RM0.2 million as assets held for sale, given the Group's intention to sell these equity securities investments in the next financial year.

The assets of the disposal group are as follows:

	Group 2018	Company 2018	Group and Company 2017
Assets classified as held for sale			
Investment property	**19,800**	**19,800**	185,900
Other investments	**186**	**–**	–
	19,986	**19,800**	185,900

The carrying value of investment property and other investments are the same as their carrying value before they were being reclassified to current asset.

14. CAPITAL AND RESERVES

14.1 Share capital

	Group and Company			
	2018		2017	
	Amount	Number of shares '000	Amount	Number of shares '000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 January	**81,920**	**167,696**	457,630	457,630
Increase in share capital	**–**	**–**	60,010	45,463
Transfer from share premium account in accordance with Section 618(2) of Companies Act 2016	**–**	**–**	40,017	–
Share consolidation (Note a)	**–**	**–**	–	(335,397)
Effect of demerger (Note b)	**–**	**–**	(475,737)	–
At 31 December	**81,920**	**167,696**	81,920	167,696

14. CAPITAL AND RESERVES (CONTINUED)

14.1 Share capital (continued)

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

In the previous financial year, the company issued 45,463,186 new ordinary shares at RM1.32 per ordinary share via a private placement to eligible investors for a total cash consideration of RM60 million.

a) In the previous financial year, issued share capital of the Company of 503,093,042 ordinary shares of the Company have been consolidated into 167,695,988 Consolidated Shares.

b) In the previous financial year, pursuant to the demerger (Note 20), the Group has distributed its entire shareholding of Duopharma Biotech Berhad (formerly known as CCM Duopharma Biotech Berhad) by way of reduction of paid-up capital by RM475.7 million.

14.2 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 Section 618 of the Companies Act 2016, any amount standing to the credit of the capital redemption reserve account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise on the credit.

In the previous financial year, capital redemption reserve amounting to RM73,000 were transferred to share capital in accordance with Section 618(3) of the Companies Act 2016.

14.3 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.

14.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity security designated at fair value through other comprehensive income (2017: available-for-sale financial assets) until the investments are derecognised or impaired.

14.5 Revaluation reserve

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

Notes to the Financial Statements

14. CAPITAL AND RESERVES (CONTINUED)

14.6 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.

In the previous financial year, the Company disposed off a total of 2,998,000 treasury shares with a total consideration received of RM4.56 million.

The treasury shares were disposed in accordance with Section 127 (7)(b) of the Companies Act 2016.

There was no repurchase of issued share capital in the current financial year.

14.7 Share premium

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

In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise on the credit.

In the previous financial year, share premium reserve amounting to RM39,944,000 were transferred to share capital in accordance with Section 618(3) of the Companies Act 2016.

15. LOANS AND BORROWINGS

		Group		Company	
	Note	2018	2017	2018	2017
Non-current - unsecured					
Term loans	15.1	**152,107**	108,750	**114,827**	68,750
Current - unsecured					
Bankers' acceptances		**–**	2,818	**–**	–
Term loans	15.1	**21,695**	335,570	**9,615**	325,570
Revolving credit and trade facilities	15.2	**20,000**	21,000	**20,000**	20,000
		41,695	359,388	**29,615**	345,570
		193,802	468,138	**144,442**	414,320

15. LOANS AND BORROWINGS (CONTINUED)

15.1 Unsecured term loans

i) The Company has obtained a RM150.57 million, 3 years unsecured term loan at the rate of 4.70% per annum (2017: 4.70% per annum) which matured and fully paid on 30 April 2018.

On the same day of 30 April 2018, the Company obtained and drawdown a new unsecured term loan of RM98 million, with tenure period of 3 years at the rate of 5.25% per annum which matures on 30 April 2021.

ii) The Company has obtained a RM150 million, 3 years unsecured term loan at the rate of 4.93% per annum (2017: 4.93% per annum) which matured in December 2018.

This unsecured term loan has been fully settled on 18 December 2018.

The significant covenants for the unsecured term loan (i) to (ii) above were as follows:

a) It was 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) Interest coverage ratio of not less than 2 times.

c) Consolidated Net Worth shall not be less than RM250 million.

d) Consolidated Total Debt to Consolidated Net Worth shall not be more than:
- 1.75 times prior to the disposal of investment property (completed on 13 June 2018) (refer to Note 13); and
- 1.50 times after the disposal of investment property (completed on 13 June 2018) (refer to Note 13).

iii) The Company obtained a RM100 million, 5 years unsecured term loan at the rate of 4.90% per annum which matures 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) The Company's Total Debt to Net Worth should not exceed 1.5 times.

iv) 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 (2017: approximately 4.70% per annum) which matures in October 2020.

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

a) CCMC shall maintain a minimum Consolidated Net Worth of RM80 million during the tenure of the facility.

b) CCMC and its subsidiaries' 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.

Notes to the Financial Statements

15. LOANS AND BORROWINGS (CONTINUED)

15.1 Unsecured term loans (continued)

v) CCM Polymers Sdn. Bhd. ("CCMP"), a subsidiary of the Company, obtained a RM10.4 million, 5 years unsecured term loan at the floating rate of approximately 5.02% to 5.05% per annum which matures in 25 May 2023.

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

a) CCMP's Total Debt to Net Worth shall not exceed 1.5 times.

b) CCMP's Finance Service Cover Ratio ("FSCR") of not less than 1.2 times.

15.2 Unsecured revolving credit and trade facilities

The Group 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) The borrower shall maintain a Gearing Ratio of not more than 1.5 times.
iii) The borrower shall maintain Debt Service Coverage Ratio of at least 2.0 times Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Unsecured term loan	Unsecured revolving credit	Unsecured bankers' acceptances	Total
Group				
Balance at 1 January 2018	**444,320**	**21,000**	**2,818**	**468,138**
Drawdown of:				
- Term loans	**108,400**	**–**	**–**	**108,400**
Repayment of:				
- Term loans	**(378,918)**	**–**	**–**	**(378,918)**
- Revolving credit	**–**	**(1,000)**	**–**	**(1,000)**
- Bankers' acceptance	**–**	**–**	**(2,818)**	**(2,818)**
Total changes from financing cash flows	**(270,518)**	**(1,000)**	**(2,818)**	**(274,336)**
Balance at 31 December 2018	**173,802**	**20,000**	**–**	**193,802**

15. LOANS AND BORROWINGS (CONTINUED)

	Unsecured term loan	Unsecured revolving credit	Unsecured bankers' acceptances	Total
Company				
Balance at 1 January 2018	**394,320**	**20,000**	**–**	**414,320**
Drawdown of:				
- Term loans	**98,000**	**–**	**–**	**98,000**
Repayment of:				
- Term loans	**(367,878)**	**–**	**–**	**(367,878)**
Total changes from financing cash flows	**(269,878)**	**–**	**–**	**(269,878)**
Balance at 31 December 2018	**124,442**	**20,000**	**–**	**144,442**

16. PROVISION

	Group 2017
Warranties	
At 1 January	493
Provision made during the year	203
Effect of demerger	(696)
At 31 December	–

The provision for warranties relates to pharmaceutical products sold. Pursuant to the demerger of Pharmaceuticals division in previous financial year, no provision for warranties to be made during the financial year.

Notes to the Financial Statements

17. TRADE AND OTHER PAYABLES

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Current					
Trade					
Trade payables		**41,889**	52,947	**–**	–
Non-trade					
Accrued expenses		**4,121**	1,886	**4,651**	5,088
Amount due to related companies		**113**	4,982	**5**	–
Amount due to an associate		**81**	–	**80**	–
Amount due to subsidiaries	17.1	**–**	–	**13,315**	15,743
Other payables		**–**	28,165	**578**	23,648
Deposit		**107**	–	**–**	–
		4,422	35,033	**18,629**	44,479
Total current		**46,311**	87,980	**18,629**	44,479

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

18. REVENUE

	Continuing operations 2018	Continuing operations 2017	Discontinued operation (see Note 20) 2018	Discontinued operation (see Note 20) 2017	Total 2018	Total 2017
Group						
Revenue from contract with customers	**395,537**	370,289	**–**	467,987	**395,537**	838,276
Rental income from properties	**402**	420	**–**	–	**402**	420
	395,939	370,709	**–**	467,987	**395,939**	838,696
Company						
Rental income from properties	**1,841**	3,701	**–**	–	**1,841**	3,701
Dividend income	**21,501**	23,352	**–**	–	**21,501**	23,352
	23,342	27,053	**–**	–	**23,342**	27,053

18. REVENUE (CONTINUED)

18.1 Disaggregation of revenue

	Chemicals		Polymers		Reporting segments Pharmaceuticals (discontinued)		All other segments		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Group										
Primary geographical markets										
Malaysia	**270,371**	254,350	**62,515**	56,276	**–**	467,987	**402**	2,867	**333,288**	781,480
Indonesia	**1,187**	1,042	**9,868**	9,690	**–**	–	**–**	–	**11,055**	10,732
Singapore	**30,183**	23,687	**–**	–	**–**	–	**–**	–	**30,183**	23,687
Other countries	**3,642**	4,486	**17,771**	18,311	**–**	–	**–**	–	**21,413**	22,797
	305,383	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**395,939**	838,696
Major products and services lines										
Manufactured products	**262,519**	253,455	**87,442**	81,707	**–**	420,379	**–**	–	**349,961**	755,541
Trading products	**42,864**	30,110	**2,712**	2,570	**–**	47,608	**–**	2,447	**45,576**	82,735
Rental income	**–**	–	**–**	–	**–**	–	**402**	420	**402**	420
	305,383	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**395,939**	838,696
Timing and recognition										
At a point in time	**305,383**	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**395,939**	838,696
	305,383	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**395,939**	838,696
Revenue from contracts with customers	**305,383**	283,565	**90,154**	84,277	**–**	467,987	**–**	2,447	**395,537**	838,276
Other revenue	**–**	–	**–**	–	**–**	–	**402**	420	**402**	420
Total revenue	**305,383**	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**395,939**	838,696

Notes to the Financial Statements

18. REVENUE (CONTINUED)

18.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Manufactured products	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Trading products	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Rental income	Revenue is recognised on a straight line basis over the term of lease.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.

19. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2018	**2017**	**2018**	**2017**
Tax expense on continuing operations	**20,872**	17,374	**4,534**	126
Tax expense on discontinued operation	**–**	9,312	**–**	–
Share of tax of equity-accounted associate	**362**	162	**–**	–
Total tax expense	**21,234**	26,848	**4,534**	126

	Group		Company	
	2018	**2017**	**2018**	**2017**
Major components of income tax expense include:				
Current tax expense				
Malaysian - current year	**16,163**	21,952	**117**	296
- prior years	**3,146**	850	**3,570**	552
Total current tax recognised in profit or loss	**19,309**	22,802	**3,687**	848
Deferred tax expense				
Origination and reversal of temporary differences	**(8,135)**	1,736	**(9,038)**	(604)
Under/(Over) provision in prior years	**270**	2,148	**457**	(118)
Total deferred tax recognised in profit or loss (Note 9)	**(7,865)**	3,884	**(8,581)**	(722)
	11,444	26,686	**(4,894)**	126
Real Property Gain Tax	**9,428**	–	**9,428**	–
Share of tax of equity-accounted associate	**362**	162	**–**	–
Total tax expense	**21,234**	26,848	**4,534**	126

Reconciliation of effective tax rate

	%	**%**	**%**	**%**
Profit before tax	**100**	100	**100**	100
Income tax calculated using Malaysian tax rate of 24%	**24**	24	**24**	24
Non-deductible expenses	**14**	8	**88**	56
Non-taxable income	**(5)**	(5)	**(110)**	(85)
Under/(Over) provision in prior years	**7**	4	**56**	6
Effect of unrecognised deferred tax assets	**–**	9	**–**	–
	40	40	**58**	1

Notes to the Financial Statements

20. DISCONTINUED OPERATION

Pursuant to the demerger in the previous financial year, pharmaceuticals segment was presented as discontinued operation.

Profit attributable to the discontinued operation was as follows:

Results of discontinued operation

	Note	Group 2017
Revenue	18	467,987
Expenses		(416,208)
Results from operating activities		51,779
Tax expense	19	(9,312)
Results from operating activities, net of tax		42,467
Included in results from operating activities are:		
Depreciation of property, plant and equipment		(23,951)

The profit from discontinued operation is attributable to:

	Group 2017
Owners of the Company	31,158
Non-controlling interests	11,309
Profit for the year	42,467
Cash flows (used in)/from discontinued operation	
Net cash from operating activities	37,921
Net cash (used in) investing activities	(71,875)
Net cash from financing activities	14,143
Effect on cash flows	(19,811)

21. PROFIT FOR THE YEAR

	Group		Company	
	2018	**2017**	**2018**	**2017**
Profit for the year is arrived at after charging:				
Auditors' remunerations:				
- Statutory Audit				
KPMG PLT	**278**	520	**75**	86
Other auditors	**90**	153	**–**	–
- Other services				
KPMG PLT	**40**	122	**40**	65
Depreciation of property, plant and equipment	**22,923**	46,763	**3,329**	3,499
Impairment loss:				
- Property, plant and equipment	**–**	185	**–**	–
- Trade receivables	**1,122**	2,553	**–**	–
- Amount due from subsidiaries	**–**	–	**5,272**	–
- Investments in subsidiaries	**–**	–	**2,357**	–
- Intangible assets	**–**	1,769	**–**	–
- Provision for obsolete stocks	**1,012**	–	**–**	–
Interest expense:				
- Revolving credits	**958**	2,070	**938**	1,734
- Bankers' acceptances	**21**	201	**–**	–
- Unsecured term loans	**17,882**	21,710	**16,043**	19,436
- Others	**2,210**	6,248	**822**	648
Net loss on disposal of:				
- Property, plant and equipment	**28**	190	**1**	–
Personnel expenses (including key management personnel)				
- Contribution to Employees Provident Fund	**4,956**	15,968	**1,140**	2,636
- Wages, salaries and others	**32,295**	119,498	**6,670**	21,259
Property, plant and equipment written off	**304**	58	–	–
Rental expenses in respect of:				
- Property leases	**2,415**	4,097	**1,223**	1,411
- Property	**283**	1,722	**18**	17
- Equipment	**293**	381	**111**	237
Research and development costs expensed as incurred	**–**	10,256	**–**	–
Write-down of inventories to net realisable value	**1,337**	5,924	**–**	–
Realised foreign exchange loss	**716**	1,133	**–**	–
Unrealised foreign exchange loss	**3,839**	–	**1,649**	–

Notes to the Financial Statements

21. PROFIT FOR THE YEAR (CONTINUED)

	Group		Company	
	2018	**2017**	**2018**	**2017**
and after crediting:				
Change in fair value of investment properties	**–**	200	**220**	380
Interest income:				
- Subsidiaries	**–**	–	**423**	13,182
- Cash and cash equivalents	**5,991**	7,735	**3,246**	2,036
Dividend income from:				
- Other investment - quoted shares in Malaysia	**6**	–	**–**	–
- Subsidiaries	**–**	–	**21,496**	23,352
- A related party	**5**	–	**5**	–
Net gain on disposal of:				
- Assets held for sale	**4,100**	–	**4,100**	–
- Property, plant and equipment	**–**	–	**–**	59
Reversal of:				
- Impairment on trade receivables	**4,551**	3,697	**–**	–
- Impairment on investments in subsidiaries	**–**	–	**7,736**	–
- Impairment on amount due from subsidiaries	**–**	–	**9,727**	12,500
- Provision for obsolete stocks	**–**	2,464	**–**	–
Rental income from properties	**402**	420	**1,841**	3,701
Realised foreign exchange gain	**30**	3,719	**5**	–
Unrealised foreign exchange gain	**3,486**	2,004	**1,448**	1,356

22. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2018 was based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

Profit/(Loss) attributable to ordinary shareholders

Group	2018			2017		
	Continuing operations	**Discontinued operation**	**Total**	**Continuing operations**	**Discontinued operation**	**Total**
Profit/(Loss) for the year attributable to ordinary shareholders	**25,695**	**–**	**25,695**	(5,239)	31,158	25,919

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

	Group	
	2018	**2017**
Weighted average number of ordinary shares at 31 December	**167,696**	462,615

	2018 Sen	**2017 Sen**
From continuing operations	**15.32**	(1.13)
From discontinued operation	**–**	6.74
Basic earnings/(loss) per ordinary share	**15.32**	5.61

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 2018 and 31 December 2017.

23. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	**Total amount**	**Date of payment**
2018			
Interim 2018 ordinary	**3.00**	**5,031**	**29 June 2018**
Total amount		**5,031**	
2017			
Interim 2017 ordinary	2.50	11,366	1 June 2017
Total amount		11,366	

The Company paid a second interim ordinary dividend of 4.00 sen per ordinary share totalling RM6,707,839 in respect of the financial year ended 31 December 2018 on 31 January 2019.

After the end of reporting period the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

Notes to the Financial Statements

23. DIVIDENDS (CONTINUED)

	Sen per share	Total amount	Date of payment
Final 2018 ordinary	**2.00**	**3,354**	**14 June 2019**
		3,354	

24. OPERATING SEGMENTS

The Group has two 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:

- 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.

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 2018 and 2017.

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.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

24. OPERATING SEGMENTS (CONTINUED)

	Chemicals		Polymers		Pharmaceuticals (discontinued)		Others		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Segment profit/(loss)	**41,179**	31,371	**14,330**	14,196	**–**	42,467	**14,623**	(30,236)	**(39,388)**	(17,980)	**30,744**	39,818
Included in the measure of segment profit are:												
Total external revenue	**305,383**	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**–**	–	**395,939**	838,696
Inter-segment revenue	**8,055**	30,753	**4,511**	–	**–**	–	**22,935**	3,281	**(35,501)**	(34,034)	**–**	–
Write-down of inventories	**(1,337)**	–	**–**	–	**–**	(5,924)	**–**	–	**–**	–	**(1,337)**	(5,924)
Impairment of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	185	**–**	–	**–**	185
Depreciation and amortisation	**(18,984)**	(19,018)	**(574)**	(539)	**–**	(23,951)	**(3,330)**	(3,498)	**(35)**	243	**(22,923)**	(46,763)
Share of profit of associate	**1,510**	681	**–**	–	**–**	–	**–**	–	**–**	–	**1,510**	681
Not included in the measure of segment profit but provided to Group Managing Director:												
Finance costs	**(2,892)**	(3,700)	**(374)**	–	**–**	(5,264)	**(17,805)**	(34,616)	**–**	13,351	**(21,071)**	(30,229)
Finance income	**1,280**	1,102	**1,223**	1,285	**–**	2,714	**3,911**	2,634	**(423)**	–	**5,991**	7,735
Tax expense	**(9,440)**	(12,658)	**(4,890)**	(4,569)	**–**	(9,312)	**(6,542)**	(147)	**–**	–	**(20,872)**	(26,686)

Notes to the Financial Statements (continued)

24. OPERATING SEGMENTS (CONTINUED)

	Chemicals		Polymers		Pharmaceuticals (discontinued)		Others		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Segment assets	**497,665**	313,114	**203,288**	181,605	**–**	768,685	**357,946**	660,652	**(483,644)**	(1,062,696)	**575,255**	861,360
Included in the measure of segment assets are:												
Investment in associate	**13,582**	15,537	**–**	–	**–**	–	**–**	–	**71**	71	**13,653**	15,608
Additions to non-current assets other than financial instrument and deferred tax assets	**30,566**	18,661	**24,340**	288	**–**	74,288	**127**	99	**–**	–	**55,033**	93,336

Geographical segments

The Chemicals and Polymers 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		Discontinued operations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Geographical segments												
External revenue	**333,288**	311,046	**11,055**	10,732	**30,183**	23,687	**21,413**	22,797	**–**	470,434	**395,939**	838,696
Segment assets	**564,407**	820,776	**7,418**	10,124	**436**	524	**2,994**	3,141	**–**	26,795	**575,255**	861,360

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designed upon initial recognition ("EIDUIR")
(c) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9

	Note	Carrying amount	AC	FVOCI -EIDUIR	Mandatorily at FVTPL
2018					
Financial assets					
Group					
Other investments, reclassified as assets held for sale	13	**186**	**–**	**186**	**–**
Trade and other receivables (excludes prepayment)	10	**87,636**	**87,636**	**–**	**–**
Cash and cash equivalents	12	**53,406**	**53,406**	**–**	**–**
Highly liquid investments with financial institutions	12	**82,891**	**–**	**–**	**82,891**
		224,119	**141,042**	**186**	**82,891**
Company					
Trade and other receivables (excludes prepayment)	10	**41,443**	**41,443**	**–**	**–**
Cash and cash equivalents	12	**8,269**	**8,269**	**–**	**–**
Highly liquid investments with financial institutions	12	**16,691**	**–**	**–**	**16,691**
		66,403	**49,712**	**–**	**16,691**
Financial liabilities					
Group					
Loans and borrowings	15	**(193,802)**	**(193,802)**	**–**	**–**
Trade and other payables	17	**(46,311)**	**(46,311)**	**–**	**–**
		(240,113)	**(240,113)**	**–**	**–**
Company					
Loans and borrowings	15	**(144,442)**	**(144,442)**	**–**	**–**
Trade and other payables	17	**(18,629)**	**(18,629)**	**–**	**–**
		(163,071)	**(163,071)**	**–**	**–**

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

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

	Carrying amount	L&R/ (FL)	AFS
2017			
Financial assets			
Group			
Other investments	45,568	–	45,568
Trade and other receivables (excludes prepayment)	129,202	129,202	–
Cash and cash equivalents	160,345	160,345	–
	335,115	289,547	45,568
Company			
Other investments	45,414	–	45,414
Trade and other receivables (excludes prepayment)	65,030	65,030	–
Cash and cash equivalents	60,655	60,655	–
	171,099	125,685	45,414
Financial liabilities			
Group			
Loans and borrowings	(468,138)	(468,138)	–
Trade and other payables	(87,980)	(87,980)	–
	(556,118)	(556,118)	–
Company			
Loans and borrowings	(414,320)	(414,320)	–
Trade and other payables	(44,479)	(44,479)	–
	(458,799)	(458,799)	–

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018	**2017**	**2018**	**2017**
Net gains/(losses) on:				
Available-for-sale:				
- recognised in other comprehensive income	**–**	(4,505)	**–**	(4,535)
Loans and receivables	**–**	13,056	**–**	29,073
Financial assets at amortised cost	**4,151**	–	**4,973**	–
Financial liabilities at amortised cost	**(21,071)**	(30,239)	**(17,803)**	(21,818)
Equity instruments designated at fair value through other comprehensive income:				
- recognised in other comprehensive income	**14,053**	–	**14,021**	–
Financial assets at fair value through profit or loss:				
- mandatorily required by MFRS 9	**4,230**	–	**2,955**	–
	1,363	(21,688)	**4,146**	2,720
Net gain on impairment on financial instruments:				
- financial assets at amortised cost	**3,429**	1,144	**4,455**	12,500
	3,429	1,144	**4,455**	12,500

25.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss 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 the individual characteristics of each customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries. There are no significant changes as compared to prior periods.

(i) Trade 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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(i) Trade receivables (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

Concentration of credit risk

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

	Group	
	2018	**2017**
Malaysia	**64,178**	89,337
Indonesia	**1,439**	1,763
Singapore	**5,447**	–
Others	**3,856**	2,277
	74,920	93,377

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 180 days. The Group's debt recovery process is as follows:

a) Immediate after past due date, the Group will start to initiate a structured debt recovery process which is monitored by sales management team; and

b) Above 180 days past due, the Group will commence a legal proceeding against the customer.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 180 days will be considered as credit impaired.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(i) Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 180 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

		2018	
	Gross carrying amount	**Loss allowance**	**Net balance**
Group			
Current (not past due)	**54,862**	**(121)**	**54,741**
Past due 1-30 days	**14,413**	**(126)**	**14,287**
Past due 31-180 days	**6,559**	**(667)**	**5,892**
	75,834	**(914)**	**74,920**
Credit impaired			
More than 180 days past due	**18,718**	**(18,718)**	**–**
	94,552	**(19,632)**	**74,920**

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(i) Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment in respect of trade receivables during the year are shown below:

	2018 Lifetime ECL	 Credit impaired	 Total
Balance at 1 January as per MFRS 139			**19,998**
Adjustments on initial application of MFRS 9			**3,063**
Balance at 1 January as per MFRS 9	**3,063**	**19,998**	**23,061**
Net remeasurement of loss allowance	**(2,149)**	**(1,280)**	**(3,429)**
Balance at 31 December	**914**	**18,718**	**19,632**

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follows:

	Gross	Individual impairment	Collective impairment	Net
Group				
2017				
Not past due	70,552	–	–	70,552
Past due 1-30 days	15,184	–	–	15,184
Past due 31-180 days	5,406	(110)	–	5,296
Past due more than 181 days	22,233	(14,315)	(5,573)	2,345
	113,375	(14,425)	(5,573)	93,377

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(i) Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

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

	Group 2017
At 1 January	26,941
Impairment loss recognised	2,553
Impairment loss reversed	(3,697)
Impairment loss written-off	(62)
Foreign exchange differences	(1,042)
Effects arising from demerger	(4,695)
At 31 December	19,998

(ii) Cash and cash equivalents

The cash and cash equivalents are held with banks with financial institutions. 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.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

(iii) Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

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.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses.

(iv) Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Group and the Company provides unsecured loans and advances to subsidiaries. The Group and the Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(iv) Inter-company loans and advances (continued)

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.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment losses

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at 31 December 2018.

	Gross carrying amount	2018 Impairment Loss allowance	Net balance
Company			
2018			
Low credit risk	**35,267**	**–**	**35,267**
Credit impaired	**116,963**	**(112,964)**	**3,999**
	152,230	**(112,964)**	**39,266**

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(iv) Inter-company loans and advances (continued)

Recognition and measurement of impairment losses (continued)

The movement in the allowance for impairment in respect of subsidiaries' loans and advances during the year is as follows:

	2018 Lifetime ECL
Company	
Balance at 1 January per MFRS 139	**117,419**
Adjustment on initial application of MFRS 9	**–**
Balance at 1 January per MFRS 9	**117,419**
Net remeasurement of loss allowance	**(4,455)**
Balance at 31 December	**112,964**

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

	Company 2017
At 1 January	129,919
Impairment loss reversed	(12,500)
At 31 December	117,419

25.5 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 exposure to 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

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk (continued)

Maturity analysis

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

	Carrying amount	Contractual interest rate %	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
Group						
2018						
Non-derivative financial liabilities						
Unsecured term loan	**173,802**	**4.81 - 5.25**	**198,429**	**22,785**	**23,930**	**151,714**
Unsecured revolving credit and trade facilities	**20,000**	**4.46 - 5.27**	**20,973**	**20,973**	**–**	**–**
Trade and other payables	**46,311**	**–**	**46,311**	**46,311**	**–**	**–**
	240,113		**265,713**	**90,069**	**23,930**	**151,714**
2017						
Non-derivative financial liabilities						
Unsecured term loan	444,320	4.70 - 5.00	481,129	356,809	102,125	22,195
Unsecured bankers' acceptances	2,818	3.82	2,926	2,926	–	–
Unsecured revolving credit and trade facilities	21,000	3.90 - 4.56	21,887	21,887	–	–
Trade and other payables	87,980	–	87,980	87,980	–	–
	556,118		593,922	469,602	102,125	22,195

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount	Contractual interest rate %	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
Company						
2018						
Non-derivative financial liabilities						
Unsecured term loan	**124,442**	**5.25**	**143,440**	**10,120**	**10,652**	**122,668**
Unsecured revolving credit and trade facilities	**20,000**	**4.46 - 5.27**	**20,973**	**20,973**	**–**	**–**
Trade and other payables	**18,629**	**–**	**18,629**	**18,629**	**–**	**–**
	163,071		**183,042**	**49,722**	**10,652**	**122,668**
2017						
Non-derivative financial liabilities						
Unsecured term loan	394,320	4.70 - 5.00	426,019	344,636	59,188	22,195
Unsecured revolving credit and trade facilities	20,000	3.90 - 4.56	20,866	20,866	–	–
Trade and other payables	44,479	–	44,479	44,479	–	–
	458,799		491,364	409,981	59,188	22,195

25.6 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.

25.6.1 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. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

25.6.1 Interest rate risk (continued)

Risk management objectives, policies and processes for managing the risk

The Group's exposure to the risk of changes in interest rates relates primarily to the highly liquid investments with floating net asset value and its floating interest rate unsecured term loans. Changes in the net asset value and interest rate may expose the Group to a risk of change in cash flows.

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	
	2018	**2017**	**2018**	**2017**
Fixed rate instruments				
Financial assets	**6,659**	15,133	**19,387**	26,288
Financial liabilities	**(98,000)**	(324,388)	**(98,000)**	(320,570)
	(91,341)	(309,255)	**(78,613)**	(294,282)
Floating rate instruments				
Financial assets	**82,891**	78,305	**28,080**	43,550
Financial liabilities	**(95,802)**	(143,750)	**(46,442)**	(93,750)
	(12,911)	(65,445)	**(18,362)**	(50,200)

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.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

25.6.1 Interest rate risk (continued)

Interest rate risk sensitivity analysis (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.

	2018 Profit or (loss)		2017 Profit or (loss)	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Group				
Floating rate instruments	**(98)**	**98**	(497)	497
Company				
Floating rate instruments	**(140)**	**140**	(382)	382

25.6.2 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 currency giving rise to this risk is primarily U.S. Dollar ("USD").

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:

	Denominated in USD	
	2018	**2017**
Group		
Trade receivables	**2,443**	1,216
Trade payables	**(877)**	(393)
Net exposure in the statements of financial position	**1,566**	823

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

25.6.2 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2017: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currency at the end of the reporting period would have increased 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 transactions.

	Profit or Loss	
	2018	**2017**
Group		
USD	**(119)**	(63)

A 10% (2017: 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

25.6.3 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 the FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% (2017: 10%) strengthening against the above indices at the end of the reporting period would have increased equity by RM18,600 (2017: RM4,556,843) for investments classified as equity instruments fair value through other comprehensive income – equity instrument designated upon initial recognition. A 10% (2017: 10%) weakening against the above indices would have had equal but opposite effect on equity.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 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.

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		
2018										
Group										
Financial assets										
Quoted shares	**186**	**–**	**–**	**186**	**–**	**–**	**–**	**–**	**186**	**186**
Financial liabilities										
Unsecured term loan	**–**	**–**	**–**	**–**	**–**	**–**	**(150,477)**	**(150,477)**	**(150,477)**	**(152,107)**
	186	**–**	**–**	**186**	**–**	**–**	**(150,477)**	**(150,477)**	**(150,291)**	**(151,921)**
2017										
Group										
Financial assets										
Quoted shares	45,568	–	–	45,568	–	–	–	–	45,568	45,568
Financial liabilities										
Unsecured term loan	–	–	–	–	–	–	(97,693)	(97,693)	(97,693)	(108,750)
	45,568	–	–	45,568	–	–	(97,693)	(97,693)	(52,125)	(63,182)

Notes to the Financial Statements (continued)

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 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		
2018										
Company										
Financial assets										
Amount due from subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**19,939**	**19,939**	**19,939**	**21,135**
Financial liabilities										
Unsecured term loan	**–**	**–**	**–**	**–**	**–**	**–**	**(109,303)**	**(109,303)**	**(109,303)**	**(114,827)**
	–	**–**	**–**	**–**	**–**	**–**	**(89,364)**	**(89,364)**	**(89,364)**	**(93,692)**
2017										
Company										
Financial assets										
Quoted shares	45,414	–	–	45,414	–	–	–	–	45,414	45,414
Amount due from subsidiaries	–	–	–	–	–	–	23,671	23,671	23,671	24,791
Financial liabilities										
Unsecured term loan	–	–	–	–	–	–	(60,775)	(60,775)	(60,775)	(68,750)
	45,414	–	–	45,414	–	–	(37,104)	(37,104)	8,310	1,455

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 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 (2017: no transfer in either direction).

26. 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.

The debt-to-equity ratio at 31 December 2018 and 31 December 2017 were as follows:

		Group	
	Note	**2018**	**2017**
Total loans and borrowings	15	**193,802**	468,138
Total equity		**318,974**	280,904
Debt-to-equity ratios		**0.61:1**	1.67:1

27. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group and Company	
	2018	**2017**
Less than one year	**72**	1,421
Between one and five years	**1,202**	3,000
	1,274	4,421

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.

Notes to the Financial Statements

28. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2018	2017	2018	2017
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for	**31,726**	22,249	–	43

29. 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 30) are shown below. The balances related to the below transactions are shown in Notes 10 and 17.

29. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Transaction value year ended	
	2018	**2017**
Group		
Dividend income from a related party	**5**	–
Proceeds from disposal of other investments (Note 32)	**59,156**	–
Rental expense to holding company	**(1,223)**	(1,411)
Income from IT services and IT shared cost charged to related parties	**4,865**	1,312
Management fee charged to related parties	**16**	9,394
Company		
Dividend income from a related party	**5**	–
Dividend income from subsidiaries	**21,501**	23,352
Income from IT services and IT shared cost charged to related parties	**4,865**	1,312
Income from IT services and IT shared cost charged to subsidiaries	**656**	1,449
Management fee charged to subsidiaries	**5,246**	4,421
Management fee charged to related parties	**16**	9,394
Proceeds from disposal of other investments (Note 32)	**59,156**	–
Rental expense to holding company	**(1,223)**	(1,411)
Rental income from subsidiaries	**1,439**	3,281

30. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2018	**2017**	**2018**	**2017**
Directors:				
- Fees	**770**	1,026	**641**	768
- Remuneration	**1,183**	1,572	**1,182**	950
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**58**	413	**58**	358
	2,011	3,011	**1,881**	2,076
Other key management personnel:				
- Remuneration	**2,385**	6,906	**825**	1,688
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**95**	283	**30**	127
	2,480	7,189	**855**	1,815

Notes to the Financial Statements

30. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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.

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

31.1 Impacts on financial statements

No significant impact arising from the adoption of MFRS 15 on the Group's and the Company's financial statements.

The following tables summarise the impacts arising from the adoption of MFRS 9 on the Group's financial statements. No significant impact arising from the adoption of MFRS 9 on the Company's financial statements.

a. Statement of financial position

	As previously reported	MFRS 9 adjustments	As restated
Group			
1 January 2018			
Deferred tax assets	2,321	–	2,321
Inventories	39,277	–	39,277
Trade and other receivables	136,005	(3,063)	132,942
Others	683,757	–	683,757
Total assets	**861,360**	**(3,063)**	**858,297**
Deferred tax liabilities	(24,044)	–	(24,044)
Others	(556,412)	–	(556,412)
Total liabilities	**(580,456)**	**–**	**(580,456)**
Retained earnings	(36,923)	3,063	(33,860)
Non-controlling interests	1,360	–	1,360
Others	(245,341)	–	(245,341)
Total equity	**(280,904)**	**3,063**	**(277,841)**
Total equity and liabilities	**(861,360)**	**3,063**	**(858,297)**

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

31.1 Impacts on financial statements (continued)

b. Statement of profit or loss and other comprehensive income and statement of cash flows

No impact on the statement of profit or loss and other comprehensive income and statement of cash flows from the adoption of MFRS 9.

31.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held;
- the designation of a financial asset as measured at FVTPL; and
- the designation of certain investments in equity instruments not held for trading as at FVOCI.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

Notes to the Financial Statements

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

31.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018:

Category under MFRS 139 Group	31 December 2017	1 January 2018 Remeasurement	Reclassification to new MFRS 9 category AC	FVOCI -Equity instrument	FVTPL
Financial assets					
Loan and receivables					
Trade and other receivables (excludes prepayment)	129,202	**(3,063)**	**126,139**	**–**	**–**
Cash and cash equivalents	82,040	**–**	**82,040**	**–**	**–**
Highly liquid investments with financial institutions	78,305	**–**	**–**	**–**	**78,305**
	289,547	**(3,063)**	**208,179**	**–**	**78,305**
Available-for-sale					
Other investments	45,568	**–**	**–**	**45,568**	**–**
Financial liabilities					
Amortised cost					
Loans and borrowings	(468,138)	**–**	**(468,138)**	**–**	**–**
Trade and other payables	(87,980)	**–**	**(87,980)**	**–**	**–**
	(556,118)	**–**	**(556,118)**	**–**	**–**

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

31.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

		1 January 2018			
			Reclassification to new MFRS 9 category		
Category under MFRS 139 Company	**31 December 2017**	**Remeasurement**	**AC**	**FVOCI -Equity instrument**	**FVTPL**
Financial assets					
Loan and receivables					
Trade and other receivables (excludes prepayment)	65,030	–	**65,030**	–	–
Cash and cash equivalents	17,105	–	**17,105**	–	–
Highly liquid investments with financial institutions	43,550	–	–	–	**43,550**
	125,685	–	**82,135**	–	**43,550**
Available-for-sale					
Other investments	45,414	–	–	**45,414**	–
Financial liabilities					
Amortised cost					
Loans and borrowings	(414,320)	–	**(414,320)**	–	–
Trade and other payables	(44,479)	–	**(44,479)**	–	–
	(458,799)	–	**(458,799)**	–	–

Notes to the Financial Statements

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

31.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. An increase of RM3,063,000 in allowance for impairment was recognised in opening retained earnings and non-controlling interest of the Group at 1 January 2018 respectively on transition to MFRS 9.

(ii) Reclassification from AFS to FVOCI

Investment in unquoted shares are investments that the Group intends to hold for long term strategic purposes. As permitted by MFRS 9, the Group has designated these investments as measured at FVOCI at the date of initial application.

(iii) Reclassification from loans and receivables to mandatorily recognition FVTPL

Highly liquid investments with financial institutions previously classified as loans and receivables were held by the Group primarily for fair value gains and withdrawing them if the need arises to meet liquidity requirements. These are classified as FVTPL which are designated upon initial recognition.

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

32.1 Disposal of an investment property

On 13 June 2018, the Company completed the disposal of three parcels of leasehold land measuring approximately 70.93 acres for a cash consideration of RM190.0 million to Global Vision Logistics Sdn. Bhd.. A net loss of RM5.5 million, net of real property gain tax of RM9.6 million, has been recognised in the profit or loss during the year, and revaluation reserve of RM112.4 million has been realised to retained earnings upon disposal.

32.2 Disposal of other investments

On 29 June 2018, the Company disposed 806,450 common shares representing 8.39% equity interest in PanGen, to DBB for a cash consideration of RM59.2 million. Cumulative gain of RM43.4 million has been realised to retained earnings upon disposal.