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 2013 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 2013 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 fertilizers, chemicals and pharmaceuticals products and services as stated in note 7. There has been no significant change in the nature of these activities during the financial year.

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

These financial statements were authorised for issue by the Board of Directors on 20 March 2014.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

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

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014 except for IC Interpretation 21 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

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

(i) MFRS 9, *Financial Instruments*

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

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

(ii) MFRS 132, *Financial Instruments: Presentation*

The amendments to MFRS 132 clarify the criteria for offsetting financial assets and financial liabilities.

1. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") requires management to make judgements, 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 as disclosed in the following note:

- Note 2(g)(i) and note 4 – valuation of investment properties
- Note 2(l) and note 5 – measurement of the recoverable amounts of cash-generating units and intangible assets
- Note 2(o) and note 17 – provisions for warranties
- Note 2(p)(iii) and note 19 – revenue from construction contracts
- Note 2(r) and note 10 – deferred tax assets

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated 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 adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group 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. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group 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. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Acquisitions from entities under common controls

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

(v) Loss of control

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

(vi) Associates

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. The Group adopted MFRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

In the previous financial years, joint arrangements were classified and accounted for as follows:

- For jointly controlled entity, the Group accounted for its interest using the equity method.
- For jointly controlled asset or jointly controlled operation, the Group accounted for each its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The adoption of MFRS 11 has no significant impact to the financial statements of the Group.

(viii) 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.

(ix) Transactions eliminated on consolidation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

(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 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.

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

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely 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 FCTR within equity.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Loans and receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

(c) Available-for-sale financial assets

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

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

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

Financial liabilities

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

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

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

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

(iii) Financial guarantee contracts

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

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

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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

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

• Leasehold land	48 – 96 years
• Freehold building	50 years
• Long and short term leasehold building	10 years to 50 years
• Plant, machinery and equipment	4 years to 13 years
• Spare parts, stand-by equipment and servicing equipment	2 years to 5 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 assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised in the statement of financial position of the Group or the Company.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

(i) Goodwill

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

(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.

(iii) Brand name

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

(iv) Other intangible assets

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

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

(v) Subsequent expenditure

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

(vi) Amortisation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties

(i) Investment properties carried at fair value

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

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

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

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

(ii) Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in other comprehensive income and accumulated in equity as revaluation reserve. 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 deemed cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured based on weighted average cost formula, 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.

In the current financial year, the Group adopted the amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle) and classified spare parts as inventories unless the item of spare part is held for own use and expected to be used during more than one period in which it is classified as property, plant and equipment. In the previous financial years, all spare parts were classified as inventories. The change in accounting policy has been applied retrospectively. The effects from the adoption of the amendments to MFRS 116 are disclosed in note 32.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Non-current assets held for sale

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

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

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred revenue in the statement of financial position.

(k) Cash and cash equivalents

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

(l) Impairment

(i) Financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(i) Financial assets (continued)

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

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

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

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

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

(ii) Other assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or the cash-generating unit. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

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

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(ii) Other assets (continued)

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

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

(m) Equity instruments

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

(i) Issue expenses

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

(ii) Repurchase of share capital (treasury shares)

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

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

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions

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

(i) Warranties

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

(ii) Onerous contracts

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

(p) Revenue and other income

(i) Goods sold

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

(ii) Services

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

(iii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

(iv) 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.

(v) 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.

(vi) 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.

(q) 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.

(r) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

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, and 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.

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.

(s) Earnings per ordinary share

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

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

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

(t) Operating segments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

(v) Fair value measurement

From 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Cost								
At 1 January 2012	123,003	47,814	73,718	148,270	21,339	607,756	21,746	1,043,646
Effect of the adoption of Amendments to MFRS 116	–	–	–	–	–	15,363	–	15,363
At 1 January 2012 (restated)	123,003	47,814	73,718	148,270	21,339	623,119	21,746	1,059,009
Additions	–	–	186	788	12	31,846	4,647	37,479
Transfers	(2,190)	3,895	–	(1,705)	–	23,748	(23,748)	–
Transfer to investment property								
– Revaluation of property	–	1,900	102	–	–	–	–	2,002
– Carrying amount (Note 4)	–	(27,000)	(641)	–	–	–	–	(27,641)
Disposals	–	–	–	(164)	–	(6,608)	–	(6,772)
Write-off	–	–	–	–	(92)	(301)	–	(393)
Effect of movements in exchange rates	–	–	–	–	(3,987)	(4,348)	–	(8,335)
At 31 December 2012/1 January 2013 (restated)	120,813	26,609	73,365	147,189	17,272	667,456	2,645	1,055,349
Additions	–	–	414	29	422	37,228	1,127	39,220
Transfers	–	–	–	–	–	1,903	(1,903)	–
Transfer to investment property								
– Carrying amount (Note 4)	–	–	–	–	–	–	(45)	(45)
Disposals	–	–	–	–	–	(3,121)	(29)	(3,150)
Write-off	–	–	–	–	–	(2,684)	–	(2,684)
Effect of movements in exchange rates	–	–	–	–	1,147	1,374	–	2,521
At 31 December 2013	120,813	26,609	73,779	147,218	18,841	702,156	1,795	1,091,211

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Depreciation and impairment loss								
At 1 January 2012	6,628	–	5,532	8,034	4,473	399,847	–	424,514
Depreciation for the year	1,741	–	1,099	5,073	1,562	39,840	–	49,315
Disposals	–	–	–	(8)	–	(6,089)	–	(6,097)
Impairment loss	–	–	–	–	–	176	–	176
Write-off	–	–	–	–	–	(225)	–	(225)
Effect of movement in exchange rates	–	–	–	–	(933)	(1,023)	–	(1,956)
At 31 December 2012 /1 January 2013	8,369	–	6,631	13,099	5,102	432,526	–	465,727
Depreciation for the year	1,862	–	1,108	5,133	1,638	41,856	–	51,597
Disposals	–	–	–	–	–	(3,150)	–	(3,150)
Write-off	–	–	–	–	–	(2,169)	–	(2,169)
Effect of movement in exchange rates	–	–	–	–	345	555	–	900
At 31 December 2013	10,231	–	7,739	18,232	7,085	469,618	–	512,905
Carrying amounts								
At 1 January 2012 (restated)	116,375	47,814	68,186	140,236	16,866	223,272	21,746	634,495
At 31 December 2012/ 1 January 2013 (restated)	112,444	26,609	66,734	134,090	12,170	234,930	2,645	589,622
At 31 December 2013	110,582	26,609	66,040	128,986	11,756	232,538	1,795	578,306

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land	Freehold buildings	Under construction	Plant, machinery and equipment	Total
Cost					
At 1 January 2012	25,100	539	19,293	9,941	54,873
Additions	–	–	4,081	–	4,081
Transfers	–	–	(23,329)	23,329	–
Disposals	–	–	–	(1,687)	(1,687)
Transfer to investment property:					
– Revaluation of property transferred	1,900	102	–	–	2,002
– Carrying amount (Note 4)	(27,000)	(641)	–	–	(27,641)
At 31 December 2012/1 January 2013	–	–	45	31,583	31,628
Additions	–	–	314	5,644	5,958
Write-off	–	–	–	(932)	(932)
Transfer to investment property:					
– Carrying amount (Note 4)	–	–	(45)	–	(45)
At 31 December 2013	–	–	314	36,295	36,609
Depreciation					
At 1 January 2012	–	–	–	7,528	7,528
Depreciation for the year	–	–	–	2,956	2,956
Disposals	–	–	–	(1,648)	(1,648)
At 31 December 2012/1 January 2013	–	–	–	8,836	8,836
Depreciation for the year	–	–	–	3,463	3,463
Write-off	–	–	–	(824)	(824)
At 31 December 2013	–	–	–	11,475	11,475
Carrying amounts					
At 1 January 2012	25,100	539	19,293	2,413	47,345
At 31 December 2012/1 January 2013	–	–	45	22,747	22,792
At 31 December 2013	–	–	314	24,820	25,134

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Impairment loss

During the year, the Group tested the plant and machineries for impairment and recognised an impairment loss of RMnil (2012: RM176,000) on a discontinued project.

3.2 Leasehold land

At 31 December 2013, the net carrying amount of the Group's leasehold land was RM110,582,000 (31 December 2012: RM112,444,000). Leasehold land of the Group has an unexpired lease period of 26 to 86 years.

3.3 Property, plant and equipment under construction

In previous financial year, the Group and the Company incurred installation and implementation of a new software. The costs incurred by the Group and the Company totalled RM23,748,000 and RM23,329,000 respectively, for the year ended 31 December 2012. The software installation and implementation was completed in the previous financial year end and was subsequently transferred to plant, machinery and equipment.

In previous financial year, the Group also incurred installation costs of new plant and machinery for manufacturing of a wide range of pharmaceutical products. The costs incurred by the Group totalled RM2,600,000 for the year ended 31 December 2012.

4. INVESTMENT PROPERTIES

		Group		Company	
	Note	2013	2012	2013	2012
At 1 January		85,760	50,793	164,250	130,174
Additions		1,243	–	15	–
Change in fair value recognised in profit or loss		18,706	7,326	21,534	6,435
Transfer to asset held for sale	14	(74,814)	–	(74,814)	–
Transfer from property, plant and equipment	3	45	27,641	45	27,641
At 31 December		30,940	85,760	111,030	164,250
Included in the above are:					
Freehold land		11,640	66,320	3,840	60,180
Leasehold land with unexpired lease period of less than 50 years		4,000	4,000	–	–
Leasehold land with unexpired lease period of more than 50 years		15,300	13,540	95,000	86,000
Buildings		–	1,900	12,190	18,070
At 31 December		30,940	85,760	111,030	164,250

All the investment properties are determined based on market values.

4. INVESTMENT PROPERTIES (CONTINUED)

The fair value of the investment properties are determined by the Directors of the Company based on an external independent valuation company using an open market value method. Valuations are performed by accredited independent valuers with recent experience in the location and categories of properties being valued.

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

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
Rental income	–	599	5,356	4,881
Direct operating expenses:				
– income generating investment properties	–	102	825	775
– non-income generating investment properties	209	1	–	–

4.1 Fair value information

Fair value of investment properties are categorised as follows:

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Group				
Freehold land	–	–	11,640	11,640
Leasehold land with unexpired lease period of less than 50 years	–	–	4,000	4,000
Leasehold land with unexpired lease period of more than 50 years	–	–	15,300	15,300
	–	–	30,940	30,940
Company				
Freehold land	–	–	3,840	3,840
Buildings	–	–	12,190	12,190
Leasehold land with unexpired lease period of more than 50 years	–	–	95,000	95,000
	–	–	111,030	111,030

NOTES to the Financial Statements

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of investment properties have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

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.

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

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information (continued)

Valuation processes applied by the Group for Level 3 fair value

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

Highest and best use

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

5. INTANGIBLE ASSETS

Group	Goodwill	Marketing rights	Trade marks	Brands	Development Cost	Total
Cost						
At 1 January 2012	306,745	15,885	63	4,000	–	326,693
Effect of movement in exchange rates	–	(572)	–	–	–	(572)
At 31 December 2012/ 1 January 2013	306,745	15,313	63	4,000	–	326,121
Addition	–	–	–	–	1,062	1,062
Effect of movement in exchange rates	–	474	–	–	–	474
At 31 December 2013	306,745	15,787	63	4,000	1,062	327,657
Accumulated impairment loss						
At 1 January 2012	22,980	–	–	–	–	22,980
Impairment loss	–	–	–	800	–	800
At 31 December 2012/ 1 January 2013	22,980	–	–	800	–	23,780
Impairment loss	–	15,787	–	–	–	15,787
At 31 December 2013	22,980	15,787	–	800	–	39,567
Carrying Amounts						
At 1 January 2012	283,765	15,885	63	4,000	–	303,713
At 31 December 2012/ 1 January 2013	283,765	15,313	63	3,200	–	302,341
At 31 December 2013	283,765	–	63	3,200	1,062	288,090

5. INTANGIBLE ASSETS (CONTINUED)

Company	Trademark
Cost/Carrying amount	
At 1 January 2012/31 December 2012/1 January 2013/31 December 2013	63

5.1 Material intangible assets

Goodwill

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

Marketing rights

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

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

Brands

The carrying amount of brands represents the acquisition of the brand name of the over-the-counter products. The Group has not amortised the brand as the Group is of the opinion that the brands have indefinite useful lives. The Group has assessed the carrying amount of brands for impairment during the year and an impairment loss of RMnil (2012: RM800,000) was recognised. It is reasonably anticipated that the brands will be recovered through future commercial activity.

Development Cost

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

5.2 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. INTANGIBLE ASSETS (CONTINUED)

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	
	2013	**2012**
A subsidiary in pharmaceuticals division	189,658	189,658
Subsidiaries in chemicals division	94,107	94,107
	283,765	283,765

The recoverable amounts of the goodwill arising from consolidations were based on value in use of the investment in the respective subsidiaries ("the subsidiaries"). These calculations use pre-tax cash flow projections based on financial budgets approved by management.

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

(a) Cash flows were projected based on past experience, actual operating results and 3 years budget. Cash flows for a further 2 years (2012: 2 years) period were extrapolated using a growth rate of 3 percent to 8 percent (2012: 3 to 5 percent) for subsidiaries of pharmaceuticals division and 5 percent to 6 percent growth rate (2012: 5 to 6 percent) for subsidiaries of chemicals division. Management believes that these 5 years (2012: 5 years) forecast period was justified due to the long term nature of the business.

(b) The anticipated growth rate for revenue was projected in accordance with the Group's 3 years budget and subsequently projected based on growth rate as stated in note (a) above.

(c) A pre-tax discount rate of 7.80 percent (2012: 8.00 percent) for subsidiaries of pharmaceuticals division and 11.60 percent (2012: 8.70 percent) for subsidiaries of chemicals division was applied in determining the recoverable amount. The discount was estimated based on the respective subsidiaries' weighted average cost of capital ("WACC").

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

NOTES to the Financial Statements

6. PREPAID LEASE PAYMENTS

Group	Unexpired leasehold land with period less than 50 years
Cost	
At 1 January 2012/31 December 2012/1 January 2013/31 December 2013	8,849
Amortisation	
At 1 January 2012	2,296
Amortisation for the year	422
At 31 December 2012/1 January 2013	2,718
Amortisation for the year	387
At 31 December 2013	3,105
Carrying amounts	
At 1 January 2012	6,553
At 31 December 2012/1 January 2013	6,131
At 31 December 2013	5,744

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2013	**2012**
At cost:		
Unquoted shares	357,077	342,077
Less: Accumulated impairment loss	(5,935)	(5,935)
	351,142	336,142

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2013 %	Effective ownership interest 2012 %
CCM Fertilizers Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of a wide range of fertilizers	50.1	50.1
Max Agriculture Sdn. Bhd.	Malaysia	Dormant	50.1	50.1
CCMF Agronomic and Technical Services Sdn. Bhd.*^	Malaysia	Dormant	50.1	50.1
CCM Chemicals Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of chlor-alkali and coagulant products and marketing of industrial and specialty chemicals	80.0	80.0
CCM Watercare Sdn. Bhd.	Malaysia	Dormant	80.0	80.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	80.0	80.0
CCM Chemtrans Sdn. Bhd.^	Malaysia	Dormant	80.0	80.0
CCM Chemtrade Sdn. Bhd.^	Malaysia	Dormant	80.0	80.0
P.T. CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	80.0	80.0
CCM Pharma Sdn. Bhd.	Malaysia	Property management and and services	100.0	100.0
Innovax Sdn. Bhd.	Malaysia	Research and development of pharmaceutical products	100.0	100.0
CCM Innovative Solutions Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacturing and trading of polymers and chemical 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
Innovative Resins Sdn. Bhd.	Malaysia	Property management	100.0	100.0
CCM Agriculture (Sabah) Sdn. Bhd.	Malaysia	Manufacturing and marketing of wide range of fertilizers	100.0	100.0
CCM Agriculture Sdn. Bhd.	Malaysia	Manufacturing and marketing of wide range of fertilizers	100.0	100.0

NOTES to the Financial Statements

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2013 %	Effective ownership interest 2012 %
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Pharmaceuticals (S) Pte. Ltd.*	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	100.0	100.0
P.T. CCM Agripharma*	Indonesia	Manufacturing and trading of fertilizers	100.0	100.0
CCM Siam Ltd.*	Thailand	Dormant	100.0	100.0
CCM Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
Euphorex Corporation Sdn. Bhd.^	Malaysia	Dormant	100.0	100.0
Liberal Wira Sdn. Bhd.^	Malaysia	Dormant	100.0	100.0
Usaha Progresif Sdn. Bhd.^	Malaysia	Dormant	100.0	100.0
CCM Duopharma Biotech Berhad and its subsidiary:	Malaysia	Investment holding	73.4	73.4
Duopharma (M) Sdn. Bhd.	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	73.4	73.4
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.%	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	100.0	100.0

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2013 %	Effective ownership interest 2012 %
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing and sales of medicine and pharmaceutical products	100.0	100.0
CCM Biopharma Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Distributor of products pharmaceutical	100.0	100.0
Unique Pharmacy (Ipoh) Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	100.0	100.0
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	100.0	100.0
Negeri Pharmacy Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Agri-Max Sdn. Bhd.	Malaysia	Marketing of wide range of fertilizers	100.0	100.0
CCM Usaha Kimia (M) Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing of chlor-alkali and chemical products	100.0	100.0
CCM Water Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Investments Limited** and its subsidiary:	British Virgin Islands	Investment holding	100.0	100.0
CCM International (Philippines), Inc.*	Republic of Philippines	Distribution, importing and exporting of pharmaceuticals and chemicals product	99.9	99.9
Yayasan CCM (Limited by Guarantee)	Malaysia	To receive and administer funds for education and charitable purposes	100.0	100.0

* Audited by external auditors other than KPMG

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

^ In liquidation and consolidated based on unaudited financial statements

% During the year, the Company subscribed an additional 15,000,000 new ordinary shares of RM1 each at par for a total cash consideration of RM15,000,000 in Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.

8. INVESTMENT IN ASSOCIATE

	Group 2013	Group 2012
At cost:		
Unquoted shares	1,408	1,408
Share of post acquisition reserves	14,124	13,897
Dividend received from associate	(1,969)	(2,430)
	13,563	12,875

Summary of financial information for associates, not adjusted for the percentage of ownership held by the Group:

Name of entity	Country of incorporation	Nature of the relationship	Ownership interest and voting interest 2013 %	Ownership interest and voting interest 2012 %
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 2013	Group 2012
Summarised financial information		
Non current assets	5,940	5,518
Current assets	32,549	30,243
Non current liabilities	(768)	(773)
Current liabilities	(7,752)	(6,426)
Net assets	29,969	28,562
Total comprehensive income	5,904	5,193
Included in the total comprehensive income is:		
Revenue	46,792	40,773

8. INVESTMENT IN ASSOCIATE (CONTINUED)

	Group	
	2013	**2012**
Reconciliation of net assets to carrying amount		
Group's share of net assets	13,492	12,804
Consolidated adjustments	71	71
Carrying amount in the statement of financial position	13,563	12,875
Group's share of results		
Group's share of total comprehensive income	2,657	2,337
Other information		
Dividends received	(1,969)	(2,430)

9. OTHER INVESTMENTS

Group	**Share Quoted in Malaysia**
2013	
Non-current	
Available-for-sale	124
Representing items:	
At fair value	124
Market value of quoted investments	124
2012	
Non-current	
Available-for-sale	124
Representing items:	
At fair value	124
Market value of quoted investments	124

NOTES to the Financial Statements

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax (assets) and liabilities

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

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Group						
Property, plant and equipment	–	–	16,328	24,584	16,328	24,584
Provisions	(6,986)	(2,925)	–	–	(6,986)	(2,925)
Other temporary differences	(1,058)	(4,259)	3,082	1,794	2,024	(2,465)
Tax losses/ tax incentives carry-forwards	(4,373)	(4,343)	–	–	(4,373)	(4,343)
Other items	(156)	(1,411)	3,115	–	2,959	(1,411)
Tax (assets)/liabilities	(12,573)	(12,938)	22,525	26,378	9,952	13,440
Set off of tax	2,628	695	(2,628)	(695)	–	–
Net tax (assets)/liabilities	(9,945)	(12,243)	19,897	25,683	9,952	13,440
Company						
Property, plant and equipment	–	–	8,691	7,880	8,691	7,880
Other temporary differences	–	–	3,308	612	3,308	612
Tax (assets)/liabilities	–	–	11,999	8,492	11,999	8,492
Set off of tax	–	–	–	–	–	–
Net tax (assets)/liabilities	–	–	11,999	8,492	11,999	8,492

Unrecognised deferred tax assets

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

	Group	
	2013	2012
Tax losses carry-forwards	(20,027)	(16,908)
Other temporary differences	1,208	882
	(18,819)	(16,026)

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.

10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Movement in temporary differences during the year

	At 1.1.2012	Recognised in profit or loss (Note 22)	At 31.12.2012/ 1.1.2013	Recognised in profit or loss (Note 22)	At 31.12.2013
Group					
Property, plant and equipment	27,934	(3,350)	24,584	(8,256)	16,328
Provisions	(5,775)	2,850	(2,925)	(4,061)	(6,986)
Other temporary differences	(4,966)	2,501	(2,465)	4,489	2,024
Tax losses/tax incentives carry-forwards	(6,489)	2,146	(4,343)	(30)	(4,373)
Other items	–	(1,411)	(1,411)	4,370	2,959
	10,704	2,736	13,440	(3,488)	9,952
Company					
Property, plant and equipment	3,091	4,789	7,880	811	8,691
Other temporary differences	(315)	927	612	2,696	3,308
	2,776	5,716	8,492	3,507	11,999

11. TRADE AND OTHER RECEIVABLES

	Note	Group 2013	Group 2012	Company 2013	Company 2012
Current					
Trade					
Trade receivables		259,653	343,665	–	–
Amount due from contract customers	11.1	–	66	–	–
		259,653	343,731	–	–
Non-trade					
Amount due from subsidiaries	11.2	–	–	99,741	83,202
Amount due from associate	11.2	62	37	34	26
Deposits		6,802	4,532	315	327
Other receivables		3,717	7,139	97	30
Prepayments		13,414	14,800	519	659
		23,995	26,508	100,706	84,244
Total current		283,648	370,239	100,706	84,244
Non-current					
Non-trade					
Amount due from subsidiaries	11.3	–	–	582,279	596,744
Total non-current		–	–	582,279	596,744

NOTES to the Financial Statements

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11.1 Construction work in progress

	Group	
	2013	**2012**
Aggregate costs incurred to date	–	4,974
Add: Attributable profits	–	1,650
	–	6,624
Less: Progress billings	–	(6,558)
Amount due from contract customers	–	66

11.2 The non-trade receivables due from subsidiaries and associate are unsecured, subject to interest ranging from 3.83% to 3.85% per annum (2012: 3.95% to 4.03% per annum) and repayable on demand.

11.3 The advances to subsidiary companies are unsecured, subject to interest ranging from 3.83% to 3.85% per annum (2012: 3.95% to 4.03% per annum) and are not repayable over the next 12 months.

12. INVENTORIES

	Group		
	31.12.2013	**31.12.2012 Restated**	**1.1.2012 Restated**
Raw materials	115,432	129,557	138,512
Work-in-progress	5,851	3,312	7,291
Finished goods	164,665	216,044	227,134
Spares and consumables	4,159	3,905	3,017
	290,107	352,818	375,954
Recognised in profit or loss:			
Inventories recognised as cost of sales	1,029,923	1,200,596	1,269,405
Write-down to net realisable value	4,523	3,014	1,044
Write-off of inventories	4,975	5,515	5,933

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

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
Cash and bank balances	148,574	190,433	599	78,166
Deposits placed with licensed banks	106,763	103,525	96,215	82,755
	255,337	293,958	96,814	160,921

Included in deposits placed with licensed banks of the Group, RMnil (2012: RM31,000) has been pledged as security for a bank facility granted to a subsidiary.

14. ASSETS CLASSIFIED AS HELD FOR SALE

	Group and Company	
	2013	2012
Reclassified from investment properties (Note 4)	74,814	–

On 30 September 2013, the Company entered into a conditional sale and purchase agreement with its major shareholder, Permodalan Nasional Berhad ("PNB") to dispose 2 contiguous parcels of freehold land together with 3 units of double – storey detached houses located at District of Kuala Lumpur for a cash consideration of RM74,814,000. The transaction was pending completion as at financial year end.

15. CAPITAL AND RESERVES

15.1 Share capital

	Group and Company			
	2013		2012	
	Amount '000	Number of shares	Amount '000	Number of shares
Authorised:				
Ordinary shares of RM1 each	800,000	800,000	800,000	800,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January	457,630	457,630	404,756	404,756
Conversion of warrants	–	–	52,874	52,874
At 31 December	457,630	457,630	457,630	457,630

15. CAPITAL AND RESERVES (CONTINUED)

15.2 Capital redemption reserve

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

15.3 Translation reserve

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

15.4 Fair value reserve

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

15.5 Revaluation reserve

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

15.6 Treasury shares

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

At 31 December 2013, the Group held 2,998,000 (2012: 2,998,000) of the Company's shares. There were no repurchased of issue share capital in the current financial year.

15.7 Share premium

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

16. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see note 26.

		Group		Company	
	Note	**2013**	**2012**	**2013**	**2012**
Non-current- unsecured					
Sukuk Musyarakah	16.1	100,000	120,000	100,000	120,000
Term loan	16.2	280,000	430,000	280,000	430,000
		380,000	550,000	380,000	550,000
Current- unsecured					
Bankers' acceptances		73,725	88,560	–	–
Term loan	16.2	150,000	–	150,000	–
Revolving credit and trade facilities	16.3	96,675	124,130	–	–
Term loan and trade facilities	16.4	49,234	80,953	–	–
		369,634	293,643	150,000	–

16.1 Unsecured Sukuk Musyarakah

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

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

(i) the Finance to Equity Ratio of not more than 1.5 times

(ii) the Profit/Interest Cover Ratio of at least 2 times

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

(i) create or permit to subsist any Security Interest over any of its present of future assets, other than those permitted by the financing document and Trust Deed.

(ii) reduce its authorised and/or issued shares save and except for any decrease in its issued capital resulting from purchase or cancellation of its own shares pursuant to Section 67A of the Companies Act 1965.

NOTES to the Financial Statements

16. LOANS AND BORROWINGS (CONTINUED)

16.1 Unsecured Sukuk Musyarakah (continued)

Negative Covenants (continued)

(iii) add, delete, vary or amend its Memorandum or Articles of Association in a manner inconsistent of the Financing Document other than those permitted by the Financing Document and Trust Deed.

(iv) dispose any assets in excess of 25% of the Group's net assets (as reflected in the latest consolidated annual audited financial statements) in any financial year other than those permitted by the Financing Document and Trust Deed.

(v) undertake or acquire any other business or subsidiaries where such undertaking or acquisition would have a material adverse effect.

(vi) use the proceeds other than those permitted by the Financing Document and Trust Deed.

The Company partially redeemed RM20.0million of the USM on 6 November 2013.

16.2 Unsecured term loan

(i) On 2 May 2012, the Company has entered into a RM110 million, 3 years unsecured term loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad at the rate of 3.80% per annum to mature on 30 April 2015.

(ii) On 24 May 2012, the Company has entered into a RM20 million, 3 years unsecured term loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad at the rate of 3.60% per annum to mature on 30 April 2015.

(iii) On 27 August 2012, the Company has entered into a RM100 million, 2 years unsecured term loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad at the rate of 3.68% per annum to mature on 29 December 2014.

(iv) On 21 December 2012, the Company has entered into a RM50 million, 2 years unsecured term loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad at the rate of 3.68% per annum to mature on 29 December 2014.

(v) On 21 December 2012, the Company has entered into a RM150 million, 3 years unsecured term loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad at the rate of 3.70% per annum to mature on 21 December 2015.

The significant covenant for the unsecured term loan (i) to (v) above are as follows :

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

(ii) The Company hereby represents and warrants to and undertakes with the Bank that its payment obligations under the Security Documents constitute direct, unconditional and unsecured obligations and shall at all times rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

(iii) the consolidated Total Indebtedness to Consolidated Net worth Ratio shall not be exceeding 1.5 times (2012: 1.5 times). (Net worth consists of share capital, non controlling interest and retained earnings/losses).

(iv) the consolidated Net Worth shall not be less than RM750 million (2012: RM750 million).

(v) interest coverage ratio of not less than 2 times.

16. LOANS AND BORROWINGS (CONTINUED)

16.3 Unsecured revolving credit and trade facilities

As at 31 December 2013, the subsidiaries of the Company has utilised the revolving credit and trade facilities from various banks.

The above is subject to fulfilment of the following covenants:

(i) Letter of Comfort from Chemical Company of Malaysia Berhad.

(ii) Letter of Comfort from CCM Duopharma Biotech Berhad with regards to Duopharma (M) Sdn. Bhd.

(iii) the borrower shall maintain a Gearing Ratio of not more than 1.5 times.

(iv) the borrower shall maintain Debt Service Coverage Ratio at least 2.0 times Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

16.4 Unsecured term loan and trade facilities

(i) As at 31 December 2013, a subsidiary has received an unsecured term loan of up to USD3.3 million and trade facilities of up to USD20 million from The Bank Internasional Indonesia ("BII"). During the year, the subsidiary has utilised both facilities amounting to USD3.8 million.

Significant covenants
The term loan and trade facilities are subject to fulfilment of the following significant covenant:

(a) Chemical Company of Malaysia Berhad is to remain as controlling/ultimate shareholder of P.T. CCM AgriPharma (directly/indirectly).

(ii) As at 31 December 2013, a subsidiary has received Multi Option Trade Line of USD8 million from P.T. Bank Maybank Syariah Indonesia. During the year, the subsidiary has utilised the facility amounting to USD5.1 million.

(iii) As at 31 December 2013, a subsidiary has received a revolving credit facility and trade facilities of USD10 million each from CIMB Bank (L) Ltd.. During the year, the subsidiary has utilised both facilities amounting to USD4.1 million.

Significant covenants
The revolving credit and trade facilities are subject to fulfilment of the following significant covenant:

(a) the gearing ratio of the Group is at least 1.5 times.

There are no financial covenants attached to the remaining unsecured term loan and trade facilities.

17. PROVISION

	Group	
	2013	2012
Warranties		
At 1 January	1,121	766
Provision made during the year	–	780
Provision utilised during the year	(711)	(425)
At 31 December	410	1,121

The provision for warranties relates to pharmaceutical products sold and construction contracts for completed projects. The provision is based on estimates made from historical warranty data associated with similar products. The Group expects to incur the liability over the next 2 years (2012: 2 years).

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2013	2012	2013	2012
Trade					
Trade payables		92,054	144,720	–	–
Non-trade					
Accrued expenses		36,802	28,610	–	–
Amount due to subsidiaries	18.1	–	–	7,020	20,865
Other payables		26,237	30,933	17,286	11,354
		63,039	59,543	24,306	32,219
		155,093	204,263	24,306	32,219

18.1 The non-trade payables due to subsidiaries are unsecured, interest bearing ranging from 3.83% to 3.85% per annum (2012: 3.95% to 4.03% per annum) and repayable on demand.

19. REVENUE

	Group		Company	
	2013	2012	2013	2012
Sales	1,288,200	1,511,335	–	–
Construction contracts	–	1,183	–	–
Services	366	913	–	–
Rental income from – investment properties	–	599	5,356	4,880
Dividends	–	–	56,730	35,235
	1,288,566	1,514,030	62,086	40,115

20. PROFIT BEFORE TAX

	Group		Company	
	2013	2012	2013	2012
Profit before tax is arrived at after charging:				
Impairment loss:				
– Property, plant and equipment	–	176	–	–
– Trade receivables	1,650	603	–	–
– Other receivables	–	28	–	–
– Intangible asset	15,787	800	–	–
– Investment in subsidiary	–	–	–	68
– Amount due from subsidiary	–	–	15,787	–
Amortisation of prepaid lease payments	387	422	–	–
Auditors' remuneration				
– Statutory Audit				
Auditor of the Company				
– current year	530	525	80	75
– prior year	–	124	–	105
Other auditors	156	197	–	–
– Other services				
Auditor of the Company	63	325	45	167
Other auditors	–	22	–	–
Bad debts written off	95	160	–	–
Depreciation of property, plant and equipment	51,597	49,315	3,463	2,956
Interest expense:				
– Subsidiaries	–	–	1,249	1,371
– Bank overdraft	1,910	349	448	318
– Revolving credits	4,320	6,127	–	1,335
– Bankers' acceptances	2,802	3,122	–	–
– Term loans	1,168	4,064	–	–
– Unsecured term loan	15,418	15,536	15,418	15,536
– Other borrowings	6,154	6,128	5,232	5,600

NOTES to the Financial Statements

20. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2013	**2012**	**2013**	**2012**
Profit before tax is arrived at after charging (continued):				
Rental expense on property	383	340	–	–
Property, plant and equipment written off	515	168	108	–
Rental expenses on property leases	9,070	7,169	1,036	1,036
Rental expenses on equipment	–	38	–	–
Research and development costs expensed as incurred	7,824	7,238	–	–
Personnel expenses (including key management personnel)				
– Contribution to Employees Provident Fund	12,513	12,249	2,070	2,060
– Wages, salaries and others	109,459	96,960	13,964	12,938
Write-down of inventories	4,523	3,014	–	–
Write-off of inventories	4,975	5,515	–	–
Realised foreign exchange loss	3,581	1,584	–	–
Unrealised foreign exchange loss	3,308	286	–	–
and after crediting:				
Reversal of impairment loss on trade receivables	1,017	3,102	–	–
Change in fair value of investment properties	18,706	7,326	21,534	6,435
Net gain on disposal of property, plant and equipment	283	1,039	–	628
Gain on disposal of asset held for sale	–	602	–	–
Rental income from investment properties	–	599	5,356	4,881
Interest income:				
– Subsidiaries	–	–	24,157	25,251
– Fixed deposits	4,858	2,243	3,861	1,419
– Others	590	410	–	–
Realised foreign exchange gain	1,278	1,450	–	–
Unrealised foreign exchange gain	1,702	202	–	–
Waiver of amount due to a creditor	–	908	–	–

21. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2013	2012	2013	2012
Directors				
– Fees	654	655	654	655
– Remuneration	1,351	1,360	1,351	1,360
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	254	198	254	198
	2,259	2,213	2,259	2,213
Other key management personnel:				
– Remuneration	5,655	5,611	1,925	1,962
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	413	539	116	158
	6,068	6,150	2,041	2,120

Other key management personnel comprises 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.

22. TAX EXPENSE

Recognised in profit or loss

		Group		Company	
	Note	2013	2012	2013	2012
Income tax expense		9,313	17,863	13,270	6,252
Share of tax of equity accounted associate		1,044	847	–	–
Total income tax expense		10,357	18,710	13,270	6,252

NOTES to the Financial Statements

22. TAX EXPENSE (CONTINUED)

Recognised in profit or loss (continued)

	Note	Group 2013	Group 2012	Company 2013	Company 2012
Major components of income tax expense include:					
Current tax expense					
Malaysian – current year		15,838	17,764	10,214	1,024
– prior year		(2,411)	(2,371)	(451)	(488)
Overseas – current year		(866)	(214)	–	–
– prior year		240	(52)	–	–
Total current tax expense		12,801	15,127	9,763	536
Deferred tax expense					
Origination and reversal of temporary differences		793	1,603	3,381	6,245
Under/(Over) provision in prior years		(4,281)	1,133	126	(529)
Total deferred tax expense	10	(3,488)	2,736	3,507	5,716
		9,313	17,863	13,270	6,252
Share of tax of equity accounted associate		1,044	847	–	–
Total income tax expense		10,357	18,710	13,270	6,252

Reconciliation of effective tax rate

	Group 2013	Group 2012	Company 2013	Company 2012
	%	%	%	%
Profit before tax	100	100	100	100
Income tax at Malaysian tax rate of 25%	25	25	25	25
Non-deductible expenses	23	13	12	4
Non-taxable income	(3)	–	(16)	(9)
Tax exempt income	(8)	(11)	–	–
Overprovision in prior years	(1)	(2)	(1)	(2)
Change in unrecognised temporary differences	5	1	–	–
Others	6	–	6	–
	47	26	26	18

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2013	**2012**
Profit for the year attributable to ordinary shareholders	647	36,912

Weighted average number of ordinary shares

	Group	
	2013 '000	**2012 '000**
Issued ordinary shares at 1 January	457,630	404,756
Effect of ordinary shares issued	–	579
Weighted average number of ordinary shares at 31 December	457,630	405,335

	Group	
	2013 Sen	**2012 Sen**
Basic earnings per ordinary share	0.14	9.11

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2013 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2013	**2012**
Profit for the year attributable to ordinary shareholders	647	36,912

NOTES to the Financial Statements

23. EARNINGS PER ORDINARY SHARE (CONTINUED)

Weighted average number of ordinary shares diluted

	Group 2013	Group 2012
Weighted average number of ordinary shares at 31 December	457,630	405,335
Effect of conversion of warrants	–	–
Weighted average number of ordinary shares (diluted) at 31 December	457,630	405,335

The average market value of the Company's shares for purpose of calculating the dilutive effect of warrants were based on quoted market prices for the period during which the warrants were outstanding.

	Group 2013 Sen	Group 2012 Sen
Diluted earnings per ordinary share	0.14	9.11

The subscription period of the Warrants-B at an exercise price of RM1.36 has expired on 26 December 2012. Accordingly, the outstanding warrants as at 26 December 2012 of 2,440,566 have lapsed.

24. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount	Date of payment
2013			
Final 2012 ordinary (tax exempt)	5.75	26,141	23 July 2013
Interim 2013 ordinary (tax exempt)	2.15	9,775	15 November 2013
		35,916	
2012			
Final 2011 ordinary (net of tax)	0.33	1,326	24 July 2012
Final 2011 ordinary (tax exempt)	2.42	9,723	24 July 2012
		11,049	

25. OPERATING SEGMENTS

Business segments

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

- Fertilizers – Manufacture and marketing of fertilizers.
- Chemicals – Manufacture and marketing of chlor-alkali and coagulant products, industrial and specialty chemicals and designing, manufacturing, installing, commissioning and providing maintenance services for water purification and waste water treatment plant systems and sale of its related products.
- Pharmaceuticals – Manufacture and marketing of pharmaceutical and healthcare products.

Other non-reportable segments comprise operations related to the investment holding company and rental of investment property.

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 of assets of each segment.

Segment liabilities

Segment liabilities information is included in the internal management reports and provided regularly to the Group's Managing Director.

25. OPERATING SEGMENTS (CONTINUED)

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Segment profit/(loss)	(13,457)	5,068	9,868	32,036	27,232	20,321	23,541	28,143	(35,647)	(31,549)	11,537	54,019
Included in the measure of segment profit/(loss):												
Total external revenue	692,956	876,332	299,502	352,199	295,919	284,825	193	674	–	–	1,288,566	1,514,030
Inter-segment revenue	–	–	–	–	–	–	61,011	39,516	(61,011)	(39,516)	–	–
Write-down of inventories	3,862	669	18	2,264	643	81	–	–	–	–	4,523	3,014
Write-off of inventories	271	–	(1)	(67)	4,705	5,582	–	–	–	–	4,975	5,515
Impairment of property, plant and equipment	–	176	–	–	–	–	–	–	–	–	–	176
Impairment of intangible assets	–	–	–	–	–	800	15,787	–	–	–	15,787	800
Share of profit of associate	–	–	2,657	2,337	–	–	–	–	–	–	2,657	2,337
Not included in the measure of segment profit but provided to Group Managing Director:												
Depreciation and amortisation	(15,491)	(15,396)	(13,089)	(12,599)	(17,911)	(16,600)	(3,463)	(2,956)	(2,030)	(2,186)	(51,984)	(49,737)
Finance costs	(14,948)	(17,692)	(3,773)	(3,775)	(15,351)	(16,259)	(23,235)	(25,097)	25,535	27,497	(31,772)	(35,326)
Finance income	522	595	972	1,180	888	682	28,118	26,888	(25,052)	(26,692)	5,448	2,653
Income tax expense	(536)	(5,633)	(6,712)	(6,987)	(6,849)	(5,140)	(13,303)	(6,300)	18,087	6,197	(9,313)	(17,863)
Segment assets	521,939	657,523	407,152	422,860	777,718	753,921	1,400,561	1,437,133	(1,253,467)	(1,219,255)	1,853,903	2,052,182
Included in the measure of segment (loss)/profit:												
Investment in associate	–	–	13,492	12,804	–	–	–	–	71	71	13,563	12,875
Additions to non-current assets other than financial instrument and deferred tax assets	2,659	3,508	19,506	12,057	13,403	17,635	5,957	4,081	–	(24)	41,525	37,257
Segment liabilities	374,949	483,607	146,087	154,590	453,530	463,428	595,910	617,369	(643,826)	(634,766)	926,650	1,084,228

25. OPERATING SEGMENTS (CONTINUED)

Geographical segments

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

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		Other regions		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
Geographical segments								
External revenue	1,110,723	1,241,060	133,629	218,388	44,214	54,582	1,288,566	1,514,030
Segment assets	1,673,313	1,811,450	148,166	205,670	32,424	35,062	1,853,903	2,052,182
Segment liabilities	847,068	956,822	59,207	104,182	20,375	23,224	926,650	1,084,228

26. FINANCIAL INSTRUMENTS

26.1 Categories of financial instruments

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

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

2013	Carrying amount	L&R/ (FL)	AFS
Financial assets			
Group			
Other investments	124	–	124
Trade and other receivables	270,234	270,234	–
Cash and cash equivalents	255,337	255,337	–
	525,695	525,571	124
Company			
Trade and other receivables	682,466	682,466	–
Cash and cash equivalents	96,814	96,814	–
	779,280	779,280	–

NOTES to the Financial Statements

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.1 Categories of financial instruments (continued)

2013 (continued)	Carrying amount	L&R/ (FL)	AFS
Financial liabilities			
Group			
Loans and borrowings	(749,634)	(749,634)	–
Trade and other payables	(155,093)	(155,093)	–
	(904,727)	(904,727)	–
Company			
Loans and borrowings	(530,000)	(530,000)	–
Trade and other payables	(24,306)	(24,306)	–
	(554,306)	(554,306)	–

31 December 2012	Carrying amount	L&R/ (FL)	AFS
Financial assets			
Group			
Other investments	124	–	124
Trade and other receivables	355,439	355,439	–
Cash and cash equivalents	293,958	293,958	–
	649,521	649,397	124
Company			
Trade and other receivables	680,329	680,329	–
Cash and cash equivalents	160,921	160,921	–
	841,250	841,250	–
Financial liabilities			
Group			
Loans and borrowings	(843,643)	(843,643)	–
Trade and other payables	(204,263)	(204,263)	–
	(1,047,906)	(1,047,906)	–
Company			
Loans and borrowings	(550,000)	(550,000)	–
Trade and other payables	(32,219)	(32,219)	–
	(582,219)	(582,219)	–

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2013	2012	2013	2012
Net gains/(losses) on:				
Loans and receivables	5,755	4,934	–	–
Financial liabilities measured at amortised cost	(31,772)	(35,326)	(22,347)	(24,160)
	(26,017)	(30,392)	(22,347)	(24,160)

26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

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

(i) Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

(i) Receivables (continued)

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

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

	Group	
	2013	**2012**
Malaysia	206,919	250,697
Indonesia	47,047	80,802
Others	5,687	12,166
	259,653	343,665

Impairment losses

The ageing of receivables as at the end of the reporting period was:

Group	**Gross**	**Individual impairment**	**Collective impairment**	**Net**
2013				
Not past due	156,822	–	–	156,822
Past due 0-30 days	40,875	(223)	–	40,652
Past due 31-180 days	53,977	(717)	–	53,260
Past due more than 181 days	26,936	(17,685)	(332)	8,919
	278,610	(18,625)	(332)	259,653
2012				
Not past due	216,084	(15)	–	216,069
Past due 0-30 days	53,000	(14)	–	52,986
Past due 31-180 days	70,387	(108)	–	70,279
Past due more than 181 days	23,458	(15,144)	(3,983)	4,331
	362,929	(15,281)	(3,983)	343,665

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

(i) Receivables (continued)

Impairment losses (continued)

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

	Group	
	2013	**2012**
At 1 January	19,264	23,117
Impairment loss recognised	1,650	603
Impairment loss reversed	(1,017)	(3,102)
Impairment loss written off	–	(1,294)
Foreign exchange differences	(940)	(60)
At 31 December	18,957	19,264

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

At 31 December 2013, there is a significant individual impairment loss of RM1,053,000 relating to a customer with dispute invoices during the financial year.

(ii) Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

The investments and other financial assets are unsecured.

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

(iii) Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

As at the end of the reporting period, the inter company balance that is assessed to be irrecoverable had been impaired and disclosed in note 20. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances are repayable on demand. Non-current loans to subsidiaries are not overdue.

26.5 Liquidity risk

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

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

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 Liquidity risk (continued)

Maturity analysis

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

Group	Carrying amount	Contractual interest/ profit rate	Contractual cash flows	Under 1 year	1 – 2 years	2 – 5 years
2013						
Non-derivative financial liabilities						
Unsecured Sukuk Musyarakah	100,000	4.35%	111,894	4,350	4,350	103,194
Unsecured term loan	430,000	3.60% – 3.80%	452,934	165,925	287,009	–
Unsecured bankers' acceptances	73,725	3.49% – 3.80%	76,426	76,426	–	–
Unsecured revolving credit and trade facilities	96,675	1.61% – 5.22%	100,744	100,744	–	–
Unsecured term loan and trade facilities	49,234	6.50%	52,468	52,468	–	–
Trade and other payables	155,093	–	155,093	155,093	–	–
	904,727		949,559	555,006	291,359	103,194
2012						
Non-derivative financial liabilities						
Unsecured Sukuk Musyarakah	120,000	4.35%	139,064	5,220	5,220	128,624
Unsecured term loan	430,000	3.60% – 3.80%	468,911	15,955	165,925	287,031
Unsecured bankers' acceptances	88,560	3.1% – 3.65%	91,757	91,757	–	–
Unsecured revolving credit and trade facilities	124,130	3.42% – 4.22%	128,934	128,934	–	–
Unsecured term loan and trade facilities	80,953	1.7% – 7.5%	85,453	85,453	–	–
Trade and other payables	204,263	–	204,263	204,263	–	–
	1,047,906		1,118,382	531,582	171,145	415,655

NOTES to the Financial Statements

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

Company	Carrying amount	Contractual interest/ profit rate	Contractual cash flows	Under 1 year	1 – 2 years	2 – 5 years
2013						
Non-derivative financial liabilities						
Unsecured Sukuk Musyarakah	100,000	4.35%	111,894	4,350	4,350	103,194
Unsecured term loan	430,000	3.60% – 3.80%	452,934	165,925	287,009	–
Amount due to subsidiaries	7,020	3.83% – 3.85%	7,290	7,290	–	–
Trade and other payables	17,286	–	17,286	17,286	–	–
	554,306		589,404	194,851	291,359	103,194
2012						
Non-derivative financial liabilities						
Unsecured Sukuk Musyarakah	120,000	4.35%	139,064	5,220	5,220	128,624
Unsecured term loan	430,000	3.60% – 3.80%	468,911	15,955	165,925	287,031
Amount due to subsidiaries	20,865	3.95% – 4.03%	21,698	21,698	–	–
Trade and other payables	11,354	–	11,354	11,354	–	–
	582,219		641,027	54,227	171,145	415,655

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk

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

26.6.1 Interest rate risk

The Group's investment in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's borrowings in variable-rate instruments 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 exposed to interest rate risk.

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

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

Exposure to interest rate risk

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
Fixed rate instruments				
Financial assets	106,825	103,562	778,269	762,727
Financial liabilities	(749,634)	(843,643)	(537,020)	(570,865)
	(642,809)	(740,081)	241,249	191,862

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

NOTES to the Financial Statements

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk (continued)

26.6.2 Currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S Dollar, Singapore Dollar, Thai Baht and Indonesian Rupiah.

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 currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Group Denominated in			
(Amounts are stated in RM'000)	**USD**	**SGD**	**THB**	**IDR**
31 December 2013				
Trade receivables	9,392	2,321	328	47,047
Trade payables	(22,549)	(430)	–	–
Borrowings	(1,037)	–	–	–
Net exposure in the statement of financial position	(14,194)	1,891	328	47,047
31 December 2012				
Trade receivables	18,467	3,910	–	22,990
Trade payables	(44,255)	(634)	–	(3,943)
Borrowings	(884)	(551)	–	–
Net exposure in the statement of financial position	(26,672)	2,725	–	19,047

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk (continued)

26.6.2 Currency risk (continued)

Currency risk sensitivity analysis

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

Group *(Amounts are stated in RM'000)*	**Profit/(Loss) 2013**	**2012**
USD	1,065	2,000
SGD	(142)	(205)
THB	(25)	–
IDR	(3,529)	(1,429)

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

26.7 Fair value information

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

It was not practicable to estimate the fair value of the Group and the Company's investment in unquoted shares due to lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs. Accordingly, the Group and the Company's investment continued to be carried at cost.

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 Fair value information (continued)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
Group 2013	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**		
Financial assets										
Quoted shares	124	–	–	124	–	–	–	–	124	124
Financial liabilities										
Unsecured Sukuk Musyarakah	–	–	–	–	–	–	(108,937)	(108,937)	(108,937)	(100,000)
Unsecured term loan	–	–	–	–	–	–	(450,820)	(450,820)	(450,820)	(430,000)
	124	–	–	124	–	–	(559,757)	(559,757)	(559,633)	(529,876)
Company 2013										
Financial assets										
Amount due from subsidiaries	–	–	–	–	–	–	582,279	582,279	582,279	582,279
Financial liabilities										
Unsecured Sukuk Musyarakah	–	–	–	–	–	–	(108,937)	(108,937)	(108,937)	(100,000)
Unsecured term loan	–	–	–	–	–	–	(450,820)	(450,820)	(450,820)	(430,000)
	–	–	–	–	–	–	22,522	22,522	22,522	52,279

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 Fair values of financial instruments (continued)

Group 2012	Fair value of financial instruments carried at fair value Level 1	Level 2	Level 3	Total	Fair value of financial instruments not carried at fair value * Total	Total fair value	Carrying amount
Financial assets							
Quoted shares	124	–	–	124	–	124	124
Financial liabilities							
Unsecured Sukuk Musyarakah	–	–	–	–	(145,165)	(145,165)	(120,000)
Unsecured term loan	–	–	–	–	(493,136)	(493,136)	(430,000)
	124	–	–	124	(638,301)	(638,177)	(549,876)
Company 2012							
Financial assets							
Amount due from subsidiaries	–	–	–	–	596,744	596,744	596,744
Financial liabilities							
Unsecured Sukuk Musyarakah	–	–	–	–	(145,165)	(145,165)	(120,000)
Unsecured term loan	–	–	–	–	(493,136)	(493,136)	(430,000)
	–	–	–	–	(41,557)	(41,557)	46,744

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 Fair values of financial instruments (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

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

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. (2012: no transfer in either direction).

Level 3 fair value

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

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

27. CAPITAL MANAGEMENT

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

During 2013, the Group's strategy was to maintain the debt-to-equity ratio of not more than 1:1. The debt-to-equity ratio at 31 December 2013 and 31 December 2012 were as follows:

	Group	
	2013	**2012**
Total loans and borrowings (note 16)	749,634	843,643
Total equity	927,253	967,954
Debt-to-equity ratios	0.81:1	0.87:1

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

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

28. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
Less than one year	1,419	1,644	1,036	1,036
Between one and five years	139	522	–	129
	1,558	2,166	1,036	1,165

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

29. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2013	**2012**	**2013**	**2012**
Capital expenditure commitments				
Plant and equipment				
Authorised but not contracted for	36,075	32,785	–	3,929
Contracted but not provided for	38,281	16,772	112	–
	74,356	49,557	112	3,929

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company 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.

Key management personnel are 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 a related party relationship with its holding company, significant investors, subsidiaries and associate, Directors and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see note 21) as shown below. The balances related to the below transactions are shown in Note 11 and Note 18.

	Transaction value year ended 31 December	
	2013	**2012**
Group		
Rental expense to holding company	1,036	1,036
Sales of products to significant investors that has influence over a subsidiary	23,030	62,485
Company		
Rental expense to holding company	1,036	1,036
Rental income from subsidiaries	4,280	4,280
Shared cost charged to subsidiaries	10,242	13,865

31. SUBSEQUENT EVENTS

(a) On 30 September 2013, the Company entered into a conditional sale and purchase agreement with its major shareholder, Permodalan Nasional Berhad ("PNB") to dispose 2 contiguous parcels of freehold land together with 3 units of double – storey detached houses located at District of Kuala Lumpur for a cash consideration of RM74,814,000. The transaction was pending completion as at financial year end.

The transaction has subsequently been completed on 13 February 2014 and vacant possession of the properties has been delivered to PNB.

(b) On 8 January 2014, the Company completed the acquisition of 241,935 ordinary shares and 161,290 redeemable cumulative convertible preference shares of Korea Won (KRW) 12,400 each representing 13.86% of the issued and paid up share capital of PanGen Biotech Inc ("PanGen") for a total cash consideration of KRW 5 billion or equivalent to RM15,740,000. Pursuant to the Share Subscription Agreement between the Group, PanGen and some key shareholders of PanGen dated 26 December 2013, the Group will have exclusive rights in Malaysia, Singapore and Brunei for Biosimilar products developed by PanGen.

(c) On 5 February 2014, the Company subscribed an additional 3,507,000 new ordinary shares of RM2.80 each, for a total cash consideration of RM9,819,600 in CCM Fertilizers Sdn. Bhd.

32. COMPARATIVE FIGURES

The Group has adopted Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)* in current period, which have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2013, the comparative information presented in these financial statements for the financial year ended 31 December 2012 and 1 January 2012.

In preparing the opening statement of financial position at 1 January 2012, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous MFRSs. The effects of adoption of MFRS 116 pronouncement are disclosed below:

	31.12.2012		1.1.2012	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Group				
Statements of Financial Position				
Property, plant and equipment	589,622	574,037	634,495	619,132
Inventories	352,818	368,403	375,954	391,317

Statements of Cash Flows	31.12.2012	
	As restated RM'000	As previously stated RM'000
Cash flows from operating activities		
Adjustments for:		
Acquisition of property, plant and equipment	(37,479)	(37,257)
Changes in working capital: Inventories	23,136	22,914

The above changes do not have any impact on the profit or loss of the Company.

NOTES to the Financial Statements

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

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Total retained earnings of the Company and its subsidiaries				
– realised	486,085	510,228	290,140	276,614
– unrealised	49,105	72,044	805	11,737
	535,190	582,272	290,945	288,351
Total share of retained earnings of associates				
– realised	11,790	12,575	–	–
– unrealised	276	278	–	–
	547,256	595,125	290,945	288,351
Less: Consolidation adjustments	(236,746)	(249,346)	–	–
Total retained earnings	310,510	345,779	290,945	288,351

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