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 Board 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 year ended 31 December 2012 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 year ended 31 December 2012 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.

The financial statements were approved by the Board of Directors on 25 March 2013.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. The financial impacts on transition to MFRSs are disclosed in note 31.

The Group and the Company have early adopted the amendments to MFRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

Notes to the FINANCIAL STATEMENTS cont'd

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the MFRS framework 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 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)*
- MFRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

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*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

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

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013, except for IC Interpretation 20 which is not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.

- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

(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 MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- Note 2(g)(iii) and note 6 - valuation of investment properties
- Note 2(l) and note 4 - 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

Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. 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. In assessing control, potential voting rights that presently are exercisable are taken into account.

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) Accounting for 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.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, 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 acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; 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.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the 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 previous 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.

(v) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or 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 equity accounted 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 investee.

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.

(vi) Non-controlling interests

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

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

Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of 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 profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

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

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

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.

(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.

Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

(b) Loans and receivables

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

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

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities 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 held for trading, 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 unquoted equity 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

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

Financial guarantee 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.

(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.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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 calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part 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 term leasehold building	10 years to 50 years
• Short term leasehold building	10 years to 50 years
• Plant, machinery and equipment	4 years to 13 years

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets

(i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between 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.

(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.

(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) Marketing rights

Marketing rights acquired via a purchase consideration are carried at the original cost of purchase less any accumulated amortisation and any accumulated impairment.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(iv) Other intangible assets

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

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties (continued)

(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.

(iii) Determination of fair value

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio on a year to year basis, and at shorter intervals whenever the fair value of the properties is expected to differ materially.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

Significant assumptions in arriving at the fair value of investment properties are disclosed in note 6.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(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.

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 or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

(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. For qualifying contracts, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(l) Impairment of assets

(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 financial asset's recoverable amount is estimated.

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

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.

Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(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 groups of assets (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 to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, 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. Once the contributions have been paid, the Group has no further payment obligations.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions (continued)

(ii) 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 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.

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(iii) 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 recognition

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

(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 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.

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.

(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.

Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(s) Earnings per 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 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.

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 2011	123,003	51,439	43,642	146,272	21,113	592,495	48,947	1,026,911
Additions	-	-	777	1,998	55	21,448	14,562	38,840
Transfers	-	2,095	29,299	-	-	10,394	(41,788)	-
Transfer to investment property (Note 6)	-	(5,720)	-	-	-	-	-	(5,720)
Disposals	-	-	-	-	-	(16,474)	-	(16,474)
Write-off	-	-	-	-	-	(329)	-	(329)
Effect of movements in exchange rates	-	-	-	-	171	222	25	418
At 31 December 2011 /1 January 2012	123,003	47,814	73,718	148,270	21,339	607,756	21,746	1,043,646
Additions	-	-	186	788	12	31,624	4,647	37,257
Transfers	(2,190)	3,895	-	(1,705)	-	23,748	(23,748)	-
Transfer to investment property								
- Revaluation of property transferred	-	1,900	102	-	-	-	-	2,002
- Transfer of carrying amount (Note 6)	-	(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	120,813	26,609	73,365	147,189	17,272	651,871	2,645	1,039,764

Notes to the
FINANCIAL STATEMENTS cont'd

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 2011	4,739	-	4,820	2,928	2,898	382,435	-	397,820
Depreciation for the year	1,889	-	712	5,106	1,575	33,835	-	43,117
Disposals	-	-	-	-	-	(16,250)	-	(16,250)
Write-off	-	-	-	-	-	(173)	-	(173)
At 31 December 2011 /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	8,369	-	6,631	13,099	5,102	432,526	-	465,727
Carrying amounts								
At 1 January 2011	118,264	51,439	38,822	143,344	18,215	210,060	48,947	629,091
At 31 December 2011 /1 January 2012	116,375	47,814	68,186	140,236	16,866	207,909	21,746	619,132
At 31 December 2012	112,444	26,609	66,734	134,090	12,170	219,345	2,645	574,037

3. PROPERTY, PLANT AND EQUIPMENT

Company	Freehold land	Freehold buildings	Under construction	Plant, machinery and equipment	Total
Cost					
At 1 January 2011	25,100	539	8,437	9,615	43,691
Additions	-	-	10,856	429	11,285
Disposals	-	-	-	(103)	(103)
At 31 December 2011/1 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
- Transfer of carrying amount (Note 6)	(27,000)	(641)	-	-	(27,641)
At 31 December 2012	-	-	45	31,583	31,628
Depreciation					
At 1 January 2011	-	-	-	6,581	6,581
Depreciation for the year	-	-	-	1,042	1,042
Disposals	-	-	-	(95)	(95)
At 31 December 2011/ 1 January 2012	-	-	-	7,528	7,528
Depreciation for the year	-	-	-	2,956	2,956
Disposals	-	-	-	(1,648)	(1,648)
At 31 December 2012	-	-	-	8,836	8,836
Carrying amounts					
At 1 January 2011	25,100	539	8,437	3,034	37,110
At 31 December 2011/1 January 2012	25,100	539	19,293	2,413	47,345
At 31 December 2012	-	-	45	22,747	22,792

Notes to the
FINANCIAL STATEMENTS cont'd

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 RM176,000 on a discontinued project.

3.2 Leasehold land

At 31 December 2012, the net carrying amount of the Group's leasehold land was RM112,623,000 (31 December 2011: RM116,375,000; 1 January 2011: RM118,264,000). Leasehold land of the Group has an unexpired lease period of 26 to 86 years.

3.3 Security

In previous financial year, the leasehold factory land and building of the Group with a net book value of RM25,722,000 (1 January 2011: RM26,700,000) was pledged as security for banking facilities extended to the Group. During the financial year, the properties pledged has been discharged as the banking facilities have been fully settled by the Group.

3.4 Property, plant and equipment under construction

During the year ended 31 December 2012, the Group and the Company incurred installation and implementation of a new software. The costs incurred up to the period end date by the Group and the Company totalled RM23,748,000 (31 December 2011: RM19,293,000; 1 January 2011: RM8,437,000) and RM23,329,000 (31 December 2011: RM19,293,000; 1 January 2011: RM8,437,000) respectively. The software installation and implementation was completed at year end and was subsequently transferred to plant, machinery and equipment.

The Group also incurred installation costs of new plant and machinery for manufacturing of a wide range of pharmaceutical products. The costs incurred up to the period end date totalled RM2,600,000 (31 December 2011: RM2,453,000; 1 January 2011 RM40,510,000).

4. INTANGIBLE ASSETS

Group	Goodwill	Marketing rights	Trade-mark	Brands	Total
Cost					
At 1 January 2011	306,745	15,417	63	4,000	326,225
Effect of movement in exchange rates	-	468	-	-	468
At 31 December 2011/1 January 2012	306,745	15,885	63	4,000	326,693
Effect of movement in exchange rates	-	(572)	-	-	(572)
At 31 December 2012	306,745	15,313	63	4,000	326,121

4. INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill	Marketing rights	Trade-mark	Brands	Total
Accumulated impairment loss					
At 1 January 2011/31 December 2011/ 1 January 2012	22,980	-	-	-	22,980
Impairment loss	-	-	-	800	800
At 31 December 2012	22,980	-	-	800	23,780
Carrying amounts					
At 1 January 2011	283,765	15,417	63	4,000	303,245
At 31 December 2011/1 January 2012	283,765	15,885	63	4,000	303,713
At 31 December 2012	283,765	15,313	63	3,200	302,341

Company	Trademark
Cost/Carrying amount	
At 1 January 2011/At 31 December 2011/ 1 January 2012/At 31 December 2012	63

4.1 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, as such the Group has not amortised the marketing rights. The Group will amortise once the products are fully commercialised. The management made an assumption that the marketing rights will be recovered through future commercial activity when the products are fully commercialised in the future.

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 RM800,000 was recognised. It is reasonably anticipated that the brands will be recovered through future commercial activity.

Notes to the
FINANCIAL STATEMENTS cont'd

4. INTANGIBLE ASSETS (CONTINUED)

4.2 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.

4.3 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		
	31.12.2012	**31.12.2011**	**1.1.2011**
A subsidiary in pharmaceuticals division	193,850	193,850	193,850
Subsidiaries in chemicals division	89,915	89,915	89,915
	283,765	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 (2011: 2 years) period were extrapolated using a growth rate of 3 percent to 5 percent (2011: 8 percent) for subsidiaries of pharmaceuticals division and 5 percent to 6 percent growth rate (2011: 5 percent) for subsidiaries of chemicals division. Management believes that these 5 years (2011: 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 8.00 percent (2011: 5.65 percent) for subsidiaries of pharmaceuticals division and 8.70 percent (2011: 5.65 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.

5. PREPAID LEASE PAYMENTS

Group	Unexpired leasehold land with period less than 50 years
Cost	
At 1 January 2011	8,772
Effect of movements in exchange rates	77
At 31 December 2011/1 January 2012/31 December 2012	8,849
Amortisation	
At 1 January 2011	1,851
Amortisation for the year	445
At 31 December 2011/1 January 2012	2,296
Amortisation for the year	422
At 31 December 2012	2,718
Carrying amounts	
At 1 January 2011	6,921
At 31 December 2011/1 January 2012	6,553
At 31 December 2012	6,131

6. INVESTMENT PROPERTIES

	Group			Company		
	31.12.2012	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
At 1 January	50,793	42,682	47,667	130,174	127,600	135,667
Additions	-	-	-	-	-	227
Disposals	-	-	(8,346)	-	-	(8,346)
Change in fair value recognised in profit or loss	7,326	2,391	3,361	6,435	2,574	52
Transfer from property, plant and equipment (Note 3)	27,641	5,720	-	27,641	-	-
At 31 December	85,760	50,793	42,682	164,250	130,174	127,600

Notes to the
FINANCIAL STATEMENTS cont'd

6. INVESTMENT PROPERTIES (CONTINUED)

Included in the above are:

	Group			Company		
	31.12.2012	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
Freehold land	66,320	33,319	26,300	60,180	30,200	28,800
Leasehold land with unexpired lease period of less than 50 years	4,000	4,000	4,000	-	-	-
Leasehold land with unexpired lease period of more than 50 years	13,540	12,174	11,082	86,000	84,795	83,608
Buildings	1,900	1,300	1,300	18,070	15,179	15,192
At 31 December	85,760	50,793	42,682	164,250	130,174	127,600

All the investment properties are determined based on market values.

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

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
Rental income	599	827	4,881	5,065
Direct operating expenses:				
- income generating investment properties	102	226	775	861
- non-income generating investment properties	1	6	-	-

7. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2012	31.12.2011	1.1.2011
At cost:			
Unquoted shares	342,077	342,077	326,021
Less: Accumulated impairment loss	(5,935)	(5,867)	(4,200)
	336,142	336,210	321,821

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest		
			31.12.2012 %	31.12.2011 %	1.1.2011 %
CCM Fertilizers Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of a wide range of fertilizers	50.1	50.1	50.1
Max Agriculture Sdn. Bhd.	Malaysia	Dormant	50.1	50.1	50.1
CCMF Agronomic and Technical Services Sdn. Bhd.*	Malaysia	Dormant	50.1	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	80.0
CCM Watercare Sdn. Bhd.	Malaysia	Marketing of water treatment products	80.0	80.0	80.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	80.0	80.0	80.0
CCM Chemtrans Sdn. Bhd. (in liquidation)	Malaysia	Dormant	80.0	80.0	80.0
CCM Chemtrade Sdn. Bhd. (in liquidation)	Malaysia	Dormant	80.0	80.0	80.0

Notes to the FINANCIAL STATEMENTS cont'd

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
P.T. CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	80.0	80.0	80.0
CCM Pharma Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0
Innovax Sdn. Bhd.	Malaysia	Research and development of pharmaceutical products	100.0	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	100.0
Innovative Polymer Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	93.06
Delta Polymer Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	93.05
Innovative Resins Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	93.06
CCM Agriculture (Sabah) Sdn. Bhd.	Malaysia	Manufacturing and marketing of fertilizers	100.0	100.0	100.0
CCM Agriculture Sdn. Bhd.	Malaysia	Manufacturing and marketing of fertilizers	100.0	100.0	100.0
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0	100.0
CCM Pharmaceuticals (S) Pte. Ltd.*	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	100.0	100.0	100.0
P.T. CCM AgriPharma*	Indonesia	Manufacturing and trading of fertilizers	100.0	100.0	100.0
CCM Siam Ltd.*	Thailand	Dormant	100.0	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		
			31.12.2012 %	31.12.2011 %	1.1.2011 %
CCM Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0	100.0
CCM Duopharma Biotech Berhad and its subsidiary:	Malaysia	Investment holding	73.4	73.4	73.4
Duopharma (M) Sdn. Bhd.	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	73.4	73.4	73.4
Euphorex Corporation Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0
Liberal Wira Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0
Usaha Progresif Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	100.0	100.0	100.0
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing and sales of medicine and pharmaceutical products	100.0	100.0	100.0
CCM Biopharma Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0	100.0
Unique Pharmacy (Ipoh) Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0	100.0
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0	100.0
Negeri Pharmacy Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0

Notes to the
FINANCIAL STATEMENTS cont'd

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
CCM Agri-Max Sdn. Bhd.	Malaysia	Marketing of wide range of fertilizers	100.0	100.0	100.0
CCM Usaha Kimia (M) Sdn. Bhd. and its subsidiary:	Malaysia	Marketing of chlor-alkali and chemical products	100.0	100.0	100.0
CCM Water Systems Sdn. Bhd.	Malaysia	Designing, manufacturing, installing, commissioning and providing maintenance services for water purification and waste water treatment plant systems and sale of its related products	100.0	100.0	98.4
CCM Investments Limited** and its subsidiary:	British Virgin Islands	Investment holding	100.0	100.0	100.0
CCM International (Philippines), Inc.*	Republic of Philippines	Distribution, importing and exporting of pharmaceuticals and chemicals product	99.9	99.9	99.9
Yayasan CCM (Limited by Guarantee)	Malaysia	To receive and administer funds for education and charitable purposes, all for the public welfare	100.0	100.0	100.0

* Audited by external auditors other than KPMG
** Not required to be audited and consolidated based on unaudited financial statements

8. INVESTMENT IN ASSOCIATE

	Group			Company		
	31.12.2012	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
At cost:						
Unquoted shares	1,408	1,408	1,408	-	-	-
Share of post acquisition reserves	13,897	11,560	9,026	-	-	-
Dividend received from associate	(2,430)	(2,430)	(2,430)	-	-	-
	12,875	10,538	8,004	-	-	-

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

Group	Country of incorporation	Effective ownership interest	Revenue (100%)	Profit after tax (100%)	Total assets (100%)	Total liabilities (100%)
31 December 2012						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	36.0%	40,773	5,193	35,761	7,199
31 December 2011						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	36.0%	39,657	5,632	33,083	9,265
1 January 2011						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	36.0%	30,406	4,607	25,650	7,464

Notes to the
FINANCIAL STATEMENTS cont'd

9. OTHER INVESTMENTS

Group	Share Quoted in Malaysia	Share Quoted outside Malaysia	Total
31 December 2012			
Non-current			
Available-for-sale	124	-	124
Representing items:			
At fair value	124	-	124
Market value of quoted investments	124	-	124
31 December 2011			
Non-current			
Available-for-sale	124	-	124
Representing items:			
At fair value	124	-	124
Market value of quoted investments	124	-	124
1 January 2011			
Non-current			
Available-for-sale	100	24,415	24,515
Representing items:			
At fair value	100	24,415	24,515
Market value of quoted investments	100	24,415	24,515

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		
Group	**31.12.2012**	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
Property, plant and equipment	-	-	-	24,584	27,934	30,588	24,584	27,934	30,588
Provisions	(2,925)	(5,775)	(4,006)	-	-	-	(2,925)	(5,775)	(4,006)
Other temporary differences	(4,259)	(5,043)	(8,056)	1,794	77	56	(2,465)	(4,966)	(8,000)
Tax losses/ tax incentives carry-forwards	(4,343)	(6,489)	(658)	-	-	-	(4,343)	(6,489)	(658)
Other items	(1,411)	-	-	-	-	-	(1,411)	-	-
Tax (assets)/ liabilities	(12,938)	(17,307)	(12,720)	26,378	28,011	30,644	13,440	10,704	17,924
Set off of tax	695	7,306	9,451	(695)	(7,306)	(9,451)	-	-	-
Net tax (assets)/ liabilities	(12,243)	(10,001)	(3,269)	25,683	20,705	21,193	13,440	10,704	17,924
Company									
Property, plant and equipment	-	-	-	7,880	3,091	2,022	7,880	3,091	2,022
Other temporary differences	-	(315)	-	612	-	-	612	(315)	-
Tax (assets)/ liabilities	-	(315)	-	8,492	3,091	2,022	8,492	2,776	2,022
Set off of tax	-	315	-	-	(315)	-	-	-	-
Net tax (assets)/ liabilities	-	-	-	8,492	2,776	2,022	8,492	2,776	2,022

10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

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

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
Tax losses carry-forwards	(16,908)	(5,966)	(27,918)
Other temporary differences	882	1,406	1,080
	(16,026)	(4,560)	(26,838)

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

Movement in temporary differences during the year

	At 1.1.2011	Recognised in profit or loss (Note 22)	At 31.12.2011/ 1.1.2012	Recognised in profit or loss (Note 22)	At 31.12.2012
Group					
Property, plant and equipment	30,588	(2,654)	27,934	(3,350)	24,584
Provisions	(4,006)	(1,769)	(5,775)	2,850	(2,925)
Other temporary differences	(8,000)	3,034	(4,966)	2,501	(2,465)
Tax losses carry-forwards	(658)	(5,831)	(6,489)	2,146	(4,343)
Other items	-	-	-	(1,411)	(1,411)
	17,924	(7,220)	10,704	2,736	13,440
Company					
Property, plant and equipment	2,022	1,069	3,091	4,789	7,880
Other items	-	(315)	(315)	927	612
	2,022	754	2,776	5,716	8,492

11. TRADE AND OTHER RECEIVABLES

		Group			Company		
	Note	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Current							
Trade							
Trade receivables		343,665	328,353	392,082	-	-	-
Amount due from contract customers	11.1	66	218	2,440	-	-	-
		343,731	328,571	394,522	-	-	-
Non-trade							
Amount due from subsidiaries	11.2	-	-	-	83,202	28,848	7,074
Amount due from associate	11.2	37	25	23	26	17	17
Deposits		4,532	3,140	2,916	327	383	255
Other receivables		7,139	6,504	4,916	30	42	390
Prepayments		14,800	16,275	6,827	659	1,877	4,409
		26,508	25,944	14,682	84,244	31,167	12,145
Total current		370,239	354,515	409,204	84,244	31,167	12,145
Non-current							
Non-trade							
Amount due from subsidiaries	11.3	-	-	-	596,744	652,523	699,991
Total non-current		-	-	-	596,744	652,523	699,991

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11.1 Construction work in progress

		Group			Company		
	Note	**31.12.2012**	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
Aggregate costs incurred to date		4,974	22,261	20,187	-	-	-
Add: Attributable profits		1,650	5,822	4,868	-	-	-
		6,624	28,083	25,055	-	-	-
Less: Progress billings		(6,558)	(27,872)	(22,834)	-	-	-
		66	211	2,221	-	-	-
Amount due from contract customers		66	218	2,440	-	-	-
Amount due to contract customers	18	-	(7)	(219)	-	-	-
		66	211	2,221	-	-	-

11.2 The non-trade receivables due from subsidiaries and associate are unsecured, subject to interest ranging from 3.95% per annum to 4.03% per annum (31 December 2011: 4.05% per annum to 4.45% per annum; 1 January 2011: 4.19% per annum to 4.36% per annum) and repayable on demand.

11.3 The advances to subsidiary companies are unsecured, subject to interest ranging from 3.95% per annum to 4.03% per annum (31 December 2011: 4.05% per annum to 4.45% per annum; 1 January 2011: 4.19% per annum to 4.36% per annum) and are not repayable over the next 12 months.

12. INVENTORIES

	Group		
	31.12.2012	31.12.2011	1.1.2011
Raw materials	123,167	138,512	82,046
Work-in-progress	3,312	7,291	8,201
Finished goods	216,044	227,134	196,211
Spares and consumables	25,880	18,380	21,604
	368,403	391,317	308,062
Recognised in profit or loss:			
Inventories recognised as cost of sales	1,200,596	1,269,405	1,293,421
Write-down to net realisable value	3,014	1,044	3,046
Write-off of inventories	5,515	5,933	3,349

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

13. ASSETS CLASSIFIED AS HELD FOR SALE

	Group		
	31.12.2012	31.12.2011	1.1.2011
Reclassified from property, plant and equipment, and investment properties	-	1,880	1,880
Impairment loss	-	(140)	(140)
	-	1,740	1,740

An impairment loss of RM140,000 was recognised in financial year 2011 as other operating expense in the profit or loss of the Group to write down the assets to fair value less cost to sell.

In January 2012, the two units of one and half storey semi-detached factory and two pieces of freehold industrial lands were sold. The gains on disposal of the assets held for sale have been credited in the statements of profit or loss and other comprehensive income.

Notes to the
FINANCIAL STATEMENTS cont'd

14. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2012	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
Cash and bank balances	190,433	110,544	73,478	78,166	1,367	4,180
Deposits placed with licensed banks	103,525	69,997	138,681	82,755	45,433	83,558
	293,958	180,541	212,159	160,921	46,800	87,738

Included in deposits placed with licensed banks of the Group, RM31,000 (31 December 2011: RM547,000; 1 January 2011: RM547,000) has been pledged as security for a bank facility granted to a subsidiary.

15. CAPITAL AND RESERVES

15.1 Share capital

	Group and Company					
	31.12.2012		**31.12.2011**		**1.1.2011**	
	Amount	**Number of shares '000**	**Amount**	**Number of shares '000**	**Amount**	**Number of shares '000**
Authorised: Ordinary shares of RM1 each	800,000	800,000	800,000	800,000	800,000	800,000
Issued and fully paid: Ordinary shares of RM1 each						
At 1 January	404,756	404,756	404,741	404,741	402,946	402,946
Conversion of warrants	52,874	52,874	15	15	1,795	1,795
At 31 December	457,630	457,630	404,756	404,756	404,741	404,741

15.2 Capital redemption reserve

The capital redemption reserve represent portion 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. CAPITAL AND RESERVES (CONTINUED)

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 2012, the Group held 2,998,000 (31 December 2011: 2,998,000; 1 January 2011: 2,998,000) of the Company's shares.

15.7 Retained earnings

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the Section 108 tax credit as at 31 December 2012 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

The Company has moved into the single tier dividend system in 2009. As such, all its distributable reserves at 31 December 2012 are available to be paid out as dividends.

15.8 Warrants

On 27 December 2002, the Company issued RM200,000,000 nominal amount of 7-year 3% Fixed Rate Bonds (" the Bonds") together with 88,040,592 detachable warrants (hereinafter termed "Warrants-B") at 100% of the nominal amount of the Bonds to AmMerchant Bank Berhad as primary subscriber.

On 13 January 2003, the primary subscriber offered for sale 88,040,592 Warrants-B at an offer price of RM0.4522 per warrant on a non-renounceable basis to the shareholders of the Company on the basis of one (1) warrant for every four (4) existing ordinary shares held.

These Warrants-B confer upon the registered holder the right to subscribe for one ordinary share ("New Share") of RM1.00 in the Company at an exercisable price of RM1.36 for each new ordinary share, subject to adjustments under certain circumstances in accordance with the Deed Poll dated 22 November 2002 commencing on the issue date and ending on the date falling 10 years from the issue date.

The Company has on 24 December 2009 fully redeemed the Bonds and fully settled the final interest payment for the Bonds in accordance with the terms and conditions of the Trust Deed dated 21 November 2002 relating to the issuance of the Bonds.

Pursuant to the terms and conditions of the Deed Poll dated 22 November 2002, Warrants-B may be exercised at any time within ten (10) years commencing on the issue date and ending on 26 December 2012.

During the financial year, the Company issued 52,873,871 (2011: 15,000) ordinary shares of RM1 each for cash arising from conversion of 52,873,871 Warrants-B (2011: 15,000). The subscription period of the Warrants-B of 88,040,592 at an exercise price of RM1.36 has expired on 26 December 2012. Accordingly, the outstanding Warrants-B as at 26 December 2012 of 2,440,566 has lapsed.

Notes to the FINANCIAL STATEMENTS cont'd

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	**31.12.2012**	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
Non-current							
Secured term loan	16.1	-	356	838	-	-	-
Unsecured Sukuk Musyarakah	16.2	120,000	120,000	-	120,000	120,000	-
Unsecured term loan	16.3	430,000	-	300,000	430,000	-	300,000
Unsecured non-revolving loan	16.4	-	2,082	10,416	-	-	-
		550,000	122,438	311,254	550,000	120,000	300,000
Current							
Secured term loan	16.1	-	483	451	-	-	-
Unsecured bank overdrafts		-	-	18,421	-	-	-
Unsecured bankers' acceptances		88,560	64,700	133,450	-	-	-
Unsecured term loan	16.3	-	300,000	-	-	300,000	-
Unsecured non-revolving loan	16.4	-	8,334	8,334	-	-	-
Unsecured revolving credit and trade facilities	16.5	124,130	208,334	204,832	-	110,000	130,000
Unsecured term loan and trade facilities	16.6	80,953	83,219	14,468	-	-	-
Unsecured Musyarakah medium term notes	16.7	-	-	150,000	-	-	150,000
		293,643	665,070	529,956	-	410,000	280,000

16. LOANS AND BORROWINGS (CONTINUED)

16.1 Secured term loan

The term loan of the Group is secured by the following:

i) Letter of Comfort from Chemical Company of Malaysia Berhad;

ii) first party first legal charge of RM11.5 million over leasehold factory land and building of the subsidiary together with joint and several guarantee by third party; and

iii) first party second legal charge of RM2.0 million over leasehold factory land and building of the subsidiary.

During the year, the term loan has been fully settled in accordance to the term loan agreement.

16.2 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.

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

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

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

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

16. LOANS AND BORROWINGS (CONTINUED)

16.3 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 :

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

(b) The Company 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.

(c) the consolidated Total Indebtedness to Consolidated Net worth Ratio shall not be exceeding 1.5 times (31 December 2011: Nil; 1 January 2011: Nil). (Net worth consists of share capital, non controlling interest and retained earnings/losses).

(d) the consolidated Net Worth shall not be less than RM750 million (31 December 2011: Nil; 1 January 2011 : Nil).

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

16. LOANS AND BORROWINGS (CONTINUED)

16.4 Unsecured non-revolving loan

On 10 July 2009, a subsidiary has received an unsecured non-revolving loan facility of RM25 million from The Bank of Nova Scotia Berhad.

Significant covenants
The unsecured non-revolving loan is subject to fulfilment of the following significant covenants:

i) not to pledge any of its assets, present and future, without the prior written consent of the Bank;

ii) remain a subsidiary of Chemical Company of Malaysia Berhad;

iii) cross default to other indebtedness of the Company and its subsidiaries;

iv) the total liabilities to Tangible Net Worth Ratio of the subsidiary company does not exceed 1.75 times (31 December 2011: 1.75 times; 1 January : 1.75 times); and

v) the Debt Service Cover Ratio of the subsidiary company is at least 2.0 times (31 December 2011: 2.0 times; 1 January 2011: 2.0 times).

During the year, the subsidiary has fully settled the unsecured non-revolving loan in accordance to the loan agreement.

16.5 Unsecured revolving credit and trade facilities

As at 31 December 2012, 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.

Notes to the FINANCIAL STATEMENTS cont'd

16. LOANS AND BORROWINGS (CONTINUED)

16.6 Unsecured term loan and trade facilities

(i) As at 31 December 2012, a subsidiary has received an unsecured term loan of up to USD4.7 million and trade facilities of up to USD15 million from The Bank International Indonesia ("BII"). During the year, the subsidiary has utilised both facilities amounting to USD6.7 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 2012, a subsidiary has received Multi Option Trade Line of USD13 million from P.T. Bank Maybank Syariah Indonesia. During the year, the subsidiary has utilised the facility amounting to USD12.9 million.

(iii) As at 31 December 2012, a subsidiary has received a revolving credit facility and trade facilities of USD5 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.

16.7 Unsecured Musyarakah medium term notes

On 28 November 2008, the Company issued RM150,000,000 nominal amount of 3 year fixed rate Musyarakah medium term notes ("MMTN") at 5.95% per annum (31 December 2011: 5.95% per annum; 1 January 2011: 5.95% per annum).

On 29 November 2011, the Company has fully settled the term notes in accordance to the Sukuk Musyarakah Agreement. Some of the significant covenants of the MMTN are:-

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

i) the Finance to Equity Ratio of not more than 1.5 times (31 December 2011: 1.5 times; 1 January 2011: 1.5 times).

ii) the Profit/Interest Cover Ratio of at least 2 times (31 December 2011: 2 times; 1 January 2011: 2 times).

16. LOANS AND BORROWINGS (CONTINUED)

16.7 Unsecured Musyarakah medium term notes (continued)

Negative Covenants

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

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

ii) reduce its authorised and/or issued shares 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.

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 5% 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) not to manage and conduct business affairs of the Group in a manner inconsistent with the provisions and conditions of the Financing Document and Trust Deed.

In 2011, the subsidiary has fully settled the unsecured non-revolving loan in accordance to the loan agreement.

17. PROVISION

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
Warranties			
At 1 January	766	850	667
Provision made during the year	780	406	574
Provision utilised during the year	(425)	(490)	(391)
At 31 December	1,121	766	850

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 (31 December 2011: 2 years; 1 January 2011: 2 years).

Notes to the
FINANCIAL STATEMENTS cont'd

18. TRADE AND OTHER PAYABLES

		Group			Company		
	Note	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Trade							
Trade payables		144,720	205,481	147,798	-	-	-
Amount due to contract customers	11.1	-	7	219	-	-	-
		144,720	205,488	148,017	-	-	-
Non-trade							
Accrued expenses		28,610	22,318	35,802	-	-	-
Amount due to subsidiaries	18.1	-	-	-	20,865	17,119	19,640
Other payables		30,933	35,432	38,260	11,354	9,757	23,034
Derivative financial liabilities		-	-	59	-	-	-
		59,543	57,750	74,121	32,219	26,876	42,674
		204,263	263,238	222,138	32,219	26,876	42,674

18.1 The non-trade payables due to subsidiaries are unsecured, interest bearing ranging from 3.95% per annum to 4.03% per annum (31 December 2011: 4.05% per annum to 4.45% per annum; 1 January 2011:4.19% per annum to 4.36% per annum) and repayable on demand.

19. REVENUE

	Group		Company	
	2012	2011	2012	2011
Sales	1,511,335	1,603,290	-	-
Construction contracts	1,183	3,027	-	-
Services	913	3,043	-	-
Rental income from investment properties	599	827	4,880	5,065
Dividends	-	-	35,235	67,500
	1,514,030	1,610,187	40,115	72,565

20. OPERATING PROFIT

	Group		Company	
	2012	**2011**	**2012**	**2011**
Operating profit is arrived at after charging:				
Impairment loss:				
- Property, plant and equipment	176	-	-	-
- Trade receivables	603	2,984	-	-
- Other receivables	28	-	-	-
- Intangible asset	800	-	-	-
- Investment in subsidiary	-	-	68	1,667
- Amount due from subsidiary	-	-	-	12,628
Amortisation of prepaid lease payments	422	445	-	-
Auditors' remuneration				
- Statutory Audit				
Auditor of the Company				
- current year	525	525	75	60
- prior year	124	50	105	50
Other auditors	197	116	-	-
- Other services				
- Auditor of the Company	325	85	167	70
- Other auditors	22	-	-	-
Bad debts written off	160	-	-	-
Depreciation of property, plant and equipment	49,315	43,117	2,956	1,042
Interest expense:				
- Subsidiaries	-	-	1,371	724
- Bank overdraft	349	206	318	164
- Revolving credits	6,127	8,699	1,335	6,166
- Bankers' acceptances	3,122	579	-	-
- Term loans	4,064	4,999	-	-
- Unsecured term loan	15,536	12,366	15,536	12,366
- Other borrowings	6,128	12,262	5,600	9,312
Rental expense on property	340	1,145	-	-
Property, plant and equipment written off	168	156	-	-
Rental expenses on property leases	7,169	6,376	1,036	1,036
Rental expenses on equipment	38	310	-	-
Research and development costs expensed as incurred	7,238	7,050	-	-
Personnel expenses (including key management personnel)				
- Contribution to Employees Provident Fund	12,249	11,089	2,060	1,483
- Wages, salaries and others	96,960	92,749	12,938	10,214
Write-down of inventories	3,014	1,044	-	-
Write-off of inventories	5,515	5,933	-	-
Realised foreign exchange loss	1,584	2,020	-	-
Unrealised foreign exchange loss	286	713	-	-

Notes to the FINANCIAL STATEMENTS cont'd

20. OPERATING PROFIT (CONTINUED)

	Group		Company	
	2012	2011	2012	2011
and after crediting:				
Reversal of impairment loss on trade receivables	3,102	4,140	-	-
Change in fair value of investment properties	7,326	2,391	6,435	2,574
Net gain on disposal of property, plant and equipment	1,039	206	628	12
Gain on disposal of asset held for sale	602	-	-	-
Rental income from investment properties	599	827	4,881	5,065
Interest income:				
- Subsidiaries	-	-	25,251	29,154
- Associate	-	4	-	-
- Fixed deposits	2,243	4,285	1,419	3,583
- Others	410	571	-	-
Realised foreign exchange gain	1,450	1,183	-	-
Unrealised foreign exchange gain	202	334	-	-
Gain on disposal of other investment	-	9,481	-	-
Waiver of amount due to a creditor	908	-	-	-

21. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2012	2011	2012	2011
Directors				
- Fees	655	412	655	412
- Remuneration	1,360	747	1,360	747
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	198	167	198	167
	2,213	1,326	2,213	1,326
Other key management personnel:				
- Remuneration	5,611	4,438	1,962	1,530
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	539	603	158	198
	6,150	5,041	2,120	1,728

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. INCOME TAX EXPENSE

Recognised in profit or loss

		Group		Company	
	Note	**2012**	**2011**	**2012**	**2011**
Income tax expense		17,863	18,437	6,252	11,446
Share of tax of equity accounted associate		847	845	-	-
Total income tax expense		18,710	19,282	6,252	11,446
Major components of income tax expense include:					
Current tax expense					
Malaysian - current year		17,764	26,455	1,024	10,941
- prior year		(2,371)	(861)	(488)	(249)
Overseas - current year		(214)	102	-	-
- prior year		(52)	(39)	-	-
Total current tax expense		15,127	25,657	536	10,692
Deferred tax expense					
Origination and reversal of temporary differences		1,603	(7,328)	6,245	729
Under/(Over) provision in prior years		1,133	108	(529)	25
Total deferred tax expense	10	2,736	(7,220)	5,716	754
		17,863	18,437	6,252	11,446
Share of tax of equity accounted associate		847	845	-	-
Total income tax expense		18,710	19,282	6,252	11,446

Notes to the
FINANCIAL STATEMENTS cont'd

22. INCOME TAX EXPENSE (CONTINUED)

Reconciliation of effective tax rate

		Group		Company	
	Note	**2012 %**	**2011 %**	**2012 %**	**2011 %**
Profit before tax		100	100	100	100
Income tax at Malaysian tax rate of 25%		25	25	25	25
Non-deductible expenses		13	32	4	14
Non-taxable income		-	(6)	(9)	(16)
Tax exempt income		(11)	(8)	-	-
Overprovision in prior years		(2)	(1)	(2)	-
Change in unrecognised temporary differences		1	(10)	-	-
		26	32	18	23

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2012	**2011**
Profit for the year attributable to ordinary shareholders	36,912	22,272

Weighted average number of ordinary shares

	Group	
	2012 '000	**2011 '000**
Issued ordinary shares at 1 January	404,756	404,741
Effect of ordinary shares issued	579	15
Weighted average number of ordinary shares at 31 December	405,335	404,756

23. EARNINGS PER ORDINARY SHARE (CONTINUED)

Basic earnings per ordinary share (continued)

	Group	
	2012 Sen	**2011 Sen**
Basic earnings per ordinary share	9.11	5.50

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2012 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	
	2012	**2011**
Profit for the year attributable to ordinary shareholders	36,912	22,272

Weighted average number of ordinary shares diluted

	Group	
	2012 '000	**2011 '000**
Weighted average number of ordinary shares at 31 December	405,335	404,756
Effect of conversion of warrants	-	55,314
Weighted average number of ordinary shares (diluted) at 31 December	405,335	460,070

Notes to the FINANCIAL STATEMENTS cont'd

23. EARNINGS PER ORDINARY SHARE (CONTINUED)

Diluted earnings per ordinary share (continued)

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	
	2012 Sen	**2011 Sen**
Diluted earnings per ordinary share	9.11	4.84

During the year, 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 has lapsed.

24. DIVIDENDS

Dividends recognised in the current year by the Company are:

2012	**Sen per share (net of tax)**	**Total amount**	**Date of payment**
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	
2011			
Final 2010 ordinary (tax exempt)	2.65	10,646	22 July 2011

After the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by owners of the Company.

	Sen per share
Final 2012 single tier	5.75

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	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Segment profit/ (loss)	5,068	(11,309)	32,036	31,404	20,321	10,778	28,143	47,500	(31,549)	(39,134)	54,019	39,239
Included in the measure of segment profit/(loss):												
Total external revenue	876,332	934,205	352,199	413,225	284,825	262,364	674	393	-	-	1,514,030	1,610,187
Inter-segment revenue	-	-	-	-	-	-	39,516	67,500	(39,516)	(67,500)	-	-
Write-down of inventories	669	389	2,264	655	81	-	-	-	-	-	3,014	1,044
Write-off of inventories	-	93	(67)	2,833	5,582	3,007	-	-	-	-	5,515	5,933
Impairment of property, plant and equipment	176	-	-	-	-	-	-	-	-	-	176	-
Impairment of intangible assets	-	-	-	-	800	-	-	-	-	-	800	-
Share of profit of associate	-	-	2,337	2,534	-	-	-	-	-	-	2,337	2,534
Not included in the measure of segment profit but provided to Group Managing Director:												
Depreciation and amortisation	(15,396)	(14,049)	(12,599)	(12,654)	(16,600)	(14,431)	(2,956)	(2,428)	(2,186)	-	(49,737)	(43,562)
Finance costs	(17,692)	(14,728)	(3,775)	(5,552)	(16,259)	(17,859)	(25,097)	(31,046)	27,497	30,074	(35,326)	(39,111)
Finance income	595	627	1,180	994	682	376	26,888	33,580	(26,692)	(30,717)	2,653	4,860
Income tax expense	(5,633)	(1,328)	(6,987)	(12,127)	(5,140)	(8,694)	(6,300)	(11,740)	6,197	15,452	(17,863)	(18,437)
Segment assets	657,523	658,813	422,860	321,852	753,921	868,643	1,437,133	1,233,435	(1,219,255)	(1,087,506)	2,052,182	1,995,237
Included in the measure of segment (loss)/profit:												
Investment in associate	-	-	12,804	10,538	-	-	-	-	71	-	12,875	10,538
Additions to non-current assets other than financial instrument and deferred tax assets	3,508	4,762	12,057	11,061	17,635	11,715	4,081	11,302	(24)	-	37,257	38,840
Segment liabilities	483,607	526,800	154,590	198,903	463,428	490,660	617,369	681,895	(634,766)	(772,583)	1,084,228	1,125,675

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	
	2012	2011	2012	2011	2012	2011	2012	2011
Geographical segments								
External revenue	1,241,060	1,262,232	218,388	263,276	54,582	84,679	1,514,030	1,610,187
Segment assets	1,811,450	1,734,914	205,670	226,519	35,062	33,804	2,052,182	1,995,237
Segment liabilities	956,822	957,826	104,182	151,186	23,224	16,663	1,084,228	1,125,675

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) Fair value through profit or loss (FVTPL):
- Derivatives
(c) Available-for-sale financial assets (AFS); and
(d) Other financial liabilities measured at amortised cost (OL).

Notes to the
FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.1 Categories of financial instruments (continued)

31 December 2012	Carrying amount	L&R/ (OL)	FVTPL -Derivatives	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)

26.1 Categories of financial instruments (continued)

31 December 2011	Carrying amount	L&R/ (OL)	FVTPL -Derivatives	AFS
Financial assets				
Group				
Other investments	124	-	-	124
Trade and other receivables	338,240	338,240	-	-
Cash and cash equivalents	180,541	180,541	-	-
	518,905	518,781	-	124
Company				
Trade and other receivables	681,813	681,813	-	-
Cash and cash equivalents	46,800	46,800	-	-
	728,613	728,613	-	-
Financial liabilities				
Group				
Loans and borrowings	(787,508)	(787,508)	-	-
Trade and other payables	(263,238)	(263,238)	-	-
	(1,050,746)	(1,050,746)	-	-
Company				
Loans and borrowings	(530,000)	(530,000)	-	-
Trade and other payables	(26,876)	(26,876)	-	-
	(556,876)	(556,876)	-	-

Notes to the
FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.1 Categories of financial instruments (continued)

1 January 2011	Carrying amount	L&R/ (OL)	FVTPL -Derivatives	AFS
Financial assets				
Group				
Other investments	24,515	-	-	24,515
Trade and other receivables	402,377	402,377	-	-
Cash and cash equivalents	212,159	212,159	-	-
	639,051	614,536	-	24,515
Company				
Trade and other receivables	707,727	707,727	-	-
Cash and cash equivalents	87,738	87,738	-	-
	795,465	795,465	-	-
Financial liabilities				
Group				
Loans and borrowings	(841,210)	(841,210)	-	-
Trade and other payables	(222,138)	(222,079)	(59)	-
	(1,063,348)	(1,063,289)	(59)	-
Company				
Loans and borrowings	(580,000)	(580,000)	-	-
Trade and other payables	(42,674)	(42,674)	-	-
	(622,674)	(622,674)	-	-

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012	2011	2012	2011
Net gains/(losses) on:				
Available-for-sale financial assets				
- recognised in other comprehensive income	-	(16,638)	-	-
- recognised in profit or loss	-	9,481	-	-
Loans and receivables	4,934	5,195	-	32,737
Financial liabilities measured at amortised cost	(35,326)	(39,541)	(24,160)	(41,360)
	(30,392)	(41,503)	(24,160)	(8,623)

26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

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

(i) Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Notes to the FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

(i) Receivables (continued)

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

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

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
Malaysia	250,697	243,853	273,728
Indonesia	80,802	73,153	102,795
Others	12,166	11,347	15,559
	343,665	328,353	392,082

Impairment losses

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

Group	**Gross**	**Individual impairment**	**Collective impairment**	**Net**
31 December 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 180 days	23,458	(15,144)	(3,983)	4,331
	362,929	(15,281)	(3,983)	343,665
31 December 2011				
Not past due	232,812	-	-	232,812
Past due 0-30 days	61,501	(4)	-	61,497
Past due 31-180 days	32,610	(194)	(902)	31,514
Past due more than 180 days	24,547	(18,938)	(3,079)	2,530
	351,470	(19,136)	(3,981)	328,353
1 January 2011				
Not past due	233,865	-	-	233,865
Past due 0-30 days	128,143	-	-	128,143
Past due 31-180 days	28,518	(230)	-	28,288
Past due more than 180 days	28,298	(20,402)	(6,110)	1,786
	418,824	(20,632)	(6,110)	392,082

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	
	2012	**2011**
At 1 January	23,117	26,742
Impairment loss recognised	603	2,984
Impairment loss reversed	(3,102)	(4,140)
Impairment loss written off	(1,294)	(2,504)
Foreign exchange differences	(60)	35
At 31 December	19,264	23,117

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.

(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 Group has invested in fixed deposits and shares quoted in Malaysia. The maximum exposure to credit risk is represented by the carrying amounts in the statement 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.

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FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

(iii) Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

As at the end of the reporting period, the inter company balance that is assessed to be irrecoverable had been impaired other than 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 maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

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 31 December 2012	Carrying amount	Contractual interest/ profit rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
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

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

Group 31 December 2011	Carrying amount	Contractual interest/ profit rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
Non-derivative financial liabilities						
Secured term loan	839	7.05%	894	528	366	-
Unsecured Sukuk Musyarakah	120,000	4.35%	143,925	5,220	5,220	133,485
Unsecured non-revolving loan	10,416	3.49% - 4.10%	10,665	8,576	2,089	-
Unsecured bankers' acceptances	64,700	3.21% - 3.97%	64,700	64,700	-	-
Unsecured term loan	300,000	3.92% - 3.95%	310,520	310,520	-	-
Unsecured revolving credit and trade facilities	208,334	3.61% - 6.00%	208,334	208,334	-	-
Unsecured term loan and trade facilities	83,219	1.54% - 7.00%	86,900	86,900	-	-
Trade and other payables	263,238	-	263,238	263,238	-	-
	1,050,746		1,089,176	948,016	7,675	133,485
1 January 2011						
Non-derivative financial liabilities						
Secured term loan	1,289	7.05%	1,422	528	894	-
Unsecured bank overdrafts	18,421	1.50% - 6.55%	18,421	18,421	-	-
Unsecured Sukuk Musyarakah	150,000	5.95%	150,000	150,000	-	-
Unsecured non-revolving loan	18,750	3.49% - 4.10%	19,583	8,918	10,665	-
Unsecured bankers' acceptances	133,450	3.05% - 3.55%	133,450	133,450	-	-
Unsecured term loan	300,000	3.92% - 3.95%	322,091	11,820	310,271	-
Unsecured revolving credit and trade facilities	204,832	2.95% - 3.85%	204,832	204,832	-	-
Unsecured term loan and trade facilities	14,468	1.03% - 2.45%	14,468	14,468	-	-
Trade and other payables	222,079	-	222,079	222,079	-	-
	1,063,289		1,086,346	764,516	321,830	-

Notes to the FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

Company 31 December 2012	**Carrying amount**	**Contractual interest/ profit rate**	**Contractual cash flows**	**Under 1 year**	**1 - 2 years**	**2 - 5 years**
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
31 December 2011						
Non-derivative financial liabilities						
Unsecured Sukuk Musyarakah	120,000	4.35%	143,925	5,220	5,220	133,485
Unsecured term loan	300,000	3.92% - 3.95%	310,520	310,520	-	-
Unsecured revolving credit and trade facilities	110,000	3.72% - 4.07%	110,000	110,000	-	-
Amount due to subsidiaries	17,119	4.05% - 4.45%	17,847	17,847	-	-
Trade and other payables	9,757	-	9,757	9,757	-	-
	556,876		592,049	453,344	5,220	133,485
1 January 2011						
Non-derivative financial liabilities						
Unsecured Sukuk Musyarakah	150,000	5.95%	150,000	150,000	-	-
Unsecured term loan	300,000	3.92% - 3.95%	322,091	11,820	310,271	-
Unsecured revolving credit and trade facilities	130,000	2.95% - 3.85%	130,000	130,000	-	-
Amount due to subsidiaries	19,640	4.19% - 4.36%	20,481	20,481	-	-
Trade and other payables	23,034	-	23,034	23,034	-	-
	622,674		645,606	335,335	310,271	-

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		
	31.12.2012	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
Fixed rate instruments						
Financial assets	103,562	70,022	138,704	762,727	726,821	790,640
Financial liabilities	(843,643)	(777,092)	(822,460)	(570,865)	(547,119)	(599,640)
	(740,081)	(707,070)	(683,756)	191,862	179,702	191,000
Floating rate instruments						
Financial liabilities	-	(10,416)	(18,750)	-	-	-

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk (continued)

26.6.1 Interest rate risk (continued)

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.

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased/ (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
Group	**50bp increase 2011**	**50bp decrease 2011**
Floating rate instruments	(39)	39
Cash flow sensitivity (net)	(39)	39

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.

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk (continued)

26.6.2 Currency risk (continued)

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 *(Amounts are stated in RM'000)*	**Denominated in** USD	SGD	THB	IDR
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
31 December 2011				
Trade receivables	22,256	3,283	29	-
Trade payables	(74,628)	(207)	-	-
Borrowings	(85,187)	-	-	-
Net exposure in the statement of financial position	(137,559)	3,076	29	-
1 January 2011				
Trade receivables	34,045	3,206	4,390	-
Trade payables	(53,904)	(173)	(4,186)	-
Net exposure in the statement of financial position	(19,859)	3,033	204	-

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FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk (continued)

26.6.2 Currency risk (continued)

Currency risk sensitivity analysis

A 10 percent strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) equity and 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	**Profit/(Loss)**	
(Amounts are stated in RM'000)	**2012**	**2011**
USD	2,000	10,317
SGD	(205)	(231)
THB	-	(2)
IDR	(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 values of financial instruments

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

The carrying amount of unsecured non-revolving loan approximate fair values as they are subject to variable interest rates which in turn approximates the current market interest rates for similar facilities at the end of the reporting period.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31.12.2012		**31.12.2011**		**1.1.2011**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Group						
Quoted shares	124	124	124	124	24,515	24,515
Forward exchange contracts:						
- Liabilities	-	-	-	-	59	59
Unsecured Sukuk Musyarakah	120,000	145,165	120,000	130,714	-	-
Unsecured term loan	430,000	493,136	-	-	300,000	332,035
Secured term loan	-	-	356	368	838	867

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 Fair values of financial instruments (continued)

	31.12.2012		31.12.2011		1.1.2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Company						
Unsecured Sukuk						
Musyarakah	120,000	145,165	120,000	130,714	-	-
Unsecured term loan	430,000	493,136	-	-	300,000	332,035

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Quoted shares

Fair value of quoted shares is based on quoted market prices at the period end date without any deduction for transaction costs.

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.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	31.12.2012	31.12.2011	1.1.2011
Loans and borrowings	4.0% - 5.5%	5.0% - 5.5%	5.0% - 5.5%

26.8 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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26. FINANCIAL INSTRUMENTS (CONTINUED)

26.8 Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
Group				
31 December 2012				
Financial assets				
Quoted shares	124	-	-	124
31 December 2011				
Financial assets				
Quoted shares	124	-	-	124
1 January 2011				
Financial assets				
Quoted shares	24,515	-	-	24,515
Forward exchange contract	-	59	-	59

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 2012, 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 2012, 31 December 2011 and 1 January 2011 were as follows:

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
Total loans and borrowings (note 16)	843,643	787,508	841,210
Total equity	967,954	869,562	878,014
Debt-to-equity ratios	0.87:1	0.91:1	0.96:1

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

Non-cancellable operating lease rentals are payable as follows:

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Less than one year	1,644	1,466	931	1,036	1,036	129
Between one and five years	522	1,240	550	129	1,165	-
	2,166	2,706	1,481	1,165	2,201	129

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

29. CAPITAL AND OTHER COMMITMENTS

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Capital expenditure commitments						
Plant and equipment						
Authorised but not contracted for	32,785	30,454	31,027	3,929	-	-
Contracted but not provided for	16,772	35,406	53,909	-	16,247	42,558
	49,557	65,860	84,936	3,929	16,247	42,558

Notes to the FINANCIAL STATEMENTS cont'd

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to 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 or common significant influence. 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 subsidiaries (see note 7) and associate (see note 8).

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see note 21) are as follows:

	Transaction value year ended 31 December	
	2012	**2011**
Group		
Rental expenses to holding company	1,036	1,036
Sales of products to significant investors that has influence over a subsidiary	62,485	46,402
Company		
Rental expenses to holding company	1,036	1,036
Rental income from subsidiaries	4,280	4,238
Shared cost charged to subsidiaries	13,865	13,349

There is no impairment made in respect of these balances outstanding at year end other than as disclosed in note 20.

Sales to significant investors that has influence over the subsidiary in the Group are based on normal trade terms. All the amounts outstanding are unsecured.

31. EXPLANATION OF TRANSITION TO MFRSs

As stated in note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

31.1 Reconciliation of financial position

Group		1.1.2011			31.12.2011		
	Note	FRSs	Effect of Transition to MFRSs	MFRSs	FRSs	Effect of transition to MFRSs	MFRSs
Assets							
Property, plant and equipment	a	629,091	-	629,091	619,132	-	619,132
Intangible assets		303,245	-	303,245	303,713	-	303,713
Prepaid lease payments		6,921	-	6,921	6,553	-	6,553
Investment properties		42,682	-	42,682	50,793	-	50,793
Investments in associates		8,004	-	8,004	10,538	-	10,538
Other investments		24,515	-	24,515	124	-	124
Deferred tax assets		3,269	-	3,269	10,001	-	10,001
Total non-current assets		1,017,727	-	1,017,727	1,000,854	-	1,000,854
Trade and other receivables		409,204	-	409,204	354,515	-	354,515
Inventories		308,062	-	308,062	391,317	-	391,317
Current tax assets		61,035	-	61,035	66,270	-	66,270
Assets classified as held for sale		1,740	-	1,740	1,740	-	1,740
Cash and cash equivalents		212,159	-	212,159	180,541	-	180,541
Total current assets		992,200	-	992,200	994,383	-	994,383
Total assets		2,009,927	-	2,009,927	1,995,237	-	1,995,237

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FINANCIAL STATEMENTS cont'd

31. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

31.1 Reconciliation of financial position (continued)

Group	Note	1.1.2011 FRSs	1.1.2011 Effect of Transition to MFRSs	1.1.2011 MFRSs	31.12.2011 FRSs	31.12.2011 Effect of transition to MFRSs	31.12.2011 MFRSs
Equity							
Share capital		404,741	-	404,741	404,756	-	404,756
Reserves	b	78,752	(43,967)	34,785	60,827	(43,967)	16,860
Retained earnings	c	267,637	43,967	311,604	275,949	43,967	319,916
Equity attributable to owners of the Company		751,130	-	751,130	741,532	-	741,532
Non-controlling interests		126,884	-	126,884	128,030	-	128,030
Total equity		878,014	-	878,014	869,562	-	869,562
Liabilities							
Loans and borrowings		311,254	-	311,254	122,438	-	122,438
Deferred tax liabilities	d	21,193	-	21,193	20,705	-	20,705
Total non-current liabilities		332,447	-	332,447	143,143	-	143,143
Provisions		850	-	850	766	-	766
Trade and other payables		222,138	-	222,138	263,238	-	263,238
Current tax liabilities		46,522	-	46,522	53,458	-	53,458
Loans and borrowings		529,956	-	529,956	665,070	-	665,070
Total current liabilities		799,466	-	799,466	982,532	-	982,532
Total liabilities		1,131,913	-	1,131,913	1,125,675	-	1,125,675
Total equity and liabilities		2,009,927	-	2,009,927	1,995,237	-	1,995,237

31. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

31.1 Reconciliation of financial position (continued)

Company	Note	1.1.2011 FRSs	1.1.2011 Effect of Transition to MFRSs	1.1.2011 MFRSs	31.12.2011 FRSs	31.12.2011 Effect of transition to MFRSs	31.12.2011 MFRSs
Assets							
Property, plant and equipment	a	37,110	-	37,110	47,345	-	47,345
Intangible assets		63	-	63	63	-	63
Investment properties		127,600	-	127,600	130,174	-	130,174
Investments in subsidiaries		321,821	-	321,821	336,210	-	336,210
Receivables		699,991	-	699,991	652,523	-	652,523
Total non-current assets		1,186,585	-	1,186,585	1,166,315	-	1,166,315
Trade and other receivables		12,145	-	12,145	31,167	-	31,167
Current tax assets		43,759	-	43,759	52,861	-	52,861
Cash and cash equivalents		87,738	-	87,738	46,800	-	46,800
Total current assets		143,642	-	143,642	130,828	-	130,828
Total assets		1,330,227	-	1,330,227	1,297,143	-	1,297,143
Equity							
Share capital		404,741	-	404,741	404,756	-	404,756
Reserves	b	27,594	(12,452)	15,142	27,599	(12,452)	15,147
Retained earnings	c	231,121	12,452	243,573	257,784	12,452	270,236
Total equity attributable to owners of the Company		663,456	-	663,456	690,139	-	690,139
Liabilities							
Loans and borrowings		300,000	-	300,000	120,000	-	120,000
Deferred tax liabilities	d	2,022	-	2,022	2,776	-	2,776
Total non-current liabilities		302,022	-	302,022	122,776	-	122,776

Notes to the
FINANCIAL STATEMENTS cont'd

31. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

31.1 Reconciliation of financial position (continued)

Company		1.1.2011			31.12.2011		
	Note	FRSs	Effect of Transition to MFRSs	MFRSs	FRSs	Effect of transition to MFRSs	MFRSs
Trade and other payables		42,674	-	42,674	26,876	-	26,876
Current tax liabilities		42,075	-	42,075	47,352	-	47,352
Loans and borrowings		280,000	-	280,000	410,000	-	410,000
Total current liabilities		364,749	-	364,749	484,228	-	484,228
Total liabilities		666,771	-	666,771	607,004	-	607,004
Total equity and liabilities		1,330,227	-	1,330,227	1,297,143	-	1,297,143

31.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2011

There are no material differences between the Group's and the Company's statement of profit or loss and other comprehensive income presented under MFRSs, and statement of profit or loss and other comprehensive income presented under FRSs.

31.3 Material adjustments to the statements of cash flows for 2011

There are no material differences between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs.

31. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

31.4 Notes to reconciliations

a) Property, plant and equipment – Deemed cost exemption – previous revaluation

Under FRSs, the Group measured its land and buildings at valuation. The last valuation was carried out on 31 December 2010.

Upon transition to MFRSs, the Group and the Company elected to apply the optional exemption to use that previous revaluation as deemed cost under MFRSs. The revaluation reserve of RM52,798,000 and RM12,452,000 for Group and for Company respectively at 1 January 2011 and 31 December 2011 was reclassified to retained earnings.

The impact arising from the change is summarised as follows:

	Group		Company	
	1.1.2011	**31.12.2011**	**1.1.2011**	**31.12.2011**
Consolidated statement of financial position				
Revaluation reserve	52,798	52,798	12,452	12,452
Adjustment to retained earnings	52,798	52,798	12,452	12,452

(b) Foreign currency translation differences

Under FRSs, the Group and the Company recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group and the Company has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

	Group		Company	
	1.1.2011	**31.12.2011**	**1.1.2011**	**31.12.2011**
Consolidated statement of financial position				
Foreign currency translation reserve	(8,831)	(8,831)	-	-
Adjustment to retained earnings	(8,831)	(8,831)	-	-

31. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

31.4 Notes to reconciliations (continued)

(c) Retained earnings

The changes that affected the retained earnings are as follows:

		Group		Company	
	Note	**1.1.2011**	**31.12.2011**	**1.1.2011**	**31.12.2011**
Property, plant and equipment	b	52,798	52,798	12,452	12,452
Foreign currency translation reserve	c	(8,831)	(8,831)	-	-
Increase in retained earnings		43,967	43,967	12,452	12,452

(d) Deferred tax on investment properties

Under FRSs, deferred tax on investment properties was measured based on the expected manner of realisation of the carrying amount of the investment properties using the tax rate expected to apply when the investment properties are recovered based on rates that are enacted or substantively enacted at the reporting date.

Upon transition to MFRSs, the Group and the Company measures deferred tax on investment properties carried at fair value using the tax rate that would apply on sale of those investment properties.

The investment properties held by the Group and the Company have been acquired for over 5 years from the transition date. Hence, there is no deferred tax asset/liability to be recognised from the fair value adjustments of the investment property.

32. 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	
	2012	**2011**	**2012**	**2011**
Total retained earnings of the Company and its subsidiaries				
- realised	510,228	384,550	276,614	258,064
- unrealised	72,044	63,396	11,737	12,172
	582,272	447,946	288,351	270,236
Total share of retained earnings of associates				
- realised	12,575	10,539	-	-
- unrealised	278	179	-	-
	595,125	458,664	288,351	270,236
Less: Consolidation adjustments	(249,346)	(138,748)	-	-
Total retained earnings	345,779	319,916	288,351	270,236

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 2011.