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 2011 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 2011 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 9 April 2012.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRSs"), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures (revised)*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

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

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

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

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

The Group and Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs"). As a result, the Company will not be adopting the above FRSs, Interpretations and amendments.

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

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

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

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

- Note 2(d) (i) and note 3 - revaluation of property, plant and equipment
- Note 2(e) and note 5 - leased assets
- 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
- Note 2(p) (iii) and note 19 - revenue from construction contracts
- Note 2(r) and note 10 - deferred tax assets and liabilities

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, other than those disclosed.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. 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 stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified held for sale.

(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.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011 the Group has applied FRS 3, *Business Combinations (revised)* in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions on or after 1 January 2011 (continued)

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(iii) Accounting for acquisitions of non-controlling interests

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Loss of control

The Group applied FRS 127, *Consolidated and Separate Financial Statements (revised)* since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. 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.

In the previous financial years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

(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 comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements (revised)* where 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. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Non-controlling interests (continued)

In the previous financial years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(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 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 2006 which are reported using the exchange rates at the dates of the acquisition.

The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

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

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.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

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

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

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

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) 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.

(d) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

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.

(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) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

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

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

(v) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(v) Derecognition (continued)

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/valuation less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment under the revaluation model

The Group revalues its property comprising land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Additions subsequent to their revaluation are stated in the financial statements at cost until the next revaluation exercise.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

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.

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. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(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 assets, 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 were 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, and adjusted as appropriate at end of the reporting period.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (continued)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, 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.

(iv) Other intangible assets

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

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

(v) Subsequent expenditure

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

(vi) Amortisation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment property

(i) Investment property carried at fair value

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

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

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

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

(ii) Reclassification to/from investment property

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment property (continued)

(iii) Determination of fair value (continued)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Non-current assets held for sale (continued)

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.

(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.

(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.

An impairment loss in respect of loans and receivables and held-to-maturity investments 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(i) Financial assets (continued)

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

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

(ii) Other assets

The carrying amounts of other assets (except for inventories, assets arising from construction contract, deferred tax asset, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or 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 year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Equity instruments

Instrument 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

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) Provision

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) Provision (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.

(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 contact. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

(iii) Construction contracts (continued)

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.

(r) Income tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous 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/Valuation								
At 1 January 2010	120,853	32,465	48,540	114,220	986	611,107	17,629	945,800
Additions	-	-	434	761	505	19,174	66,896	87,770
Reclassification	-	-	(5,261)	35,288	28,577	(23,026)	(35,578)	-
Transfer to assets held for sale	-	(1,355)	(525)	-	-	-	-	(1,880)
Disposals	-	-	-	-	-	(3,657)	-	(3,657)
Write-off	-	-	-	-	-	(8,457)	-	(8,457)
Effect of movements in exchange rates	-	-	-	-	-	(2,646)	-	(2,646)
Revaluation loss	-	-	-	-	(8,955)	-	-	(8,955)
Revaluation surplus	5,053	20,329	3,115	6,147	-	-	-	34,644
Adjustment on revaluation	(2,903)	-	(2,661)	(10,144)	-	-	-	(15,708)
At 31 December 2010/ 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
Reclassification	-	2,095	29,299	-	-	10,394	(41,788)	-
Transfer to investment property	-	(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	123,003	47,814	73,718	148,270	21,339	607,756	21,746	1,043,646

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								
At 1 January 2010	5,764	-	4,407	9,648	318	359,512	-	379,649
Depreciation for the year	1,878	-	4,535	3,424	2,580	31,789	-	44,206
Reclassification	-	-	(1,461)	-	-	1,461	-	-
Disposals	-	-	-	-	-	(2,679)	-	(2,679)
Write-off	-	-	-	-	-	(7,648)	-	(7,648)
Adjustment on revaluation	(2,903)	-	(2,661)	(10,144)	-	-	-	(15,708)
At 31 December 2010/ 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	6,628	-	5,532	8,034	4,473	399,847	-	424,514
Carrying amounts								
At 1 January 2010	115,089	32,465	44,133	104,572	668	251,595	17,629	566,151
At 31 December 2010/ 1 January 2011	118,264	51,439	38,822	143,344	18,215	210,060	48,947	629,091
At 31 December 2011	116,375	47,814	68,186	140,236	16,866	207,909	21,746	619,132

3. PROPERTY, PLANT AND EQUIPMENT(CONTINUED)

Company	Freehold land	Freehold buildings	Under construction	Plant, machinery and equipment	Total
Cost/Valuation					
At 1 January 2010	15,400	623	-	9,773	25,796
Additions	-	-	8,437	424	8,861
Disposals	-	-	-	(582)	(582)
Revaluation surplus/(loss)	9,700	(24)	-	-	9,676
Adjustment on revaluation	-	(60)	-	-	(60)
At 31 December 2010/1 January 2011	25,100	539	8,437	9,615	43,691
Additions	-	-	10,856	429	11,285
Disposals	-	-	-	(103)	(103)
At 31 December 2011	25,100	539	19,293	9,941	54,873
Depreciation					
At 1 January 2010	-	48	-	5,947	5,995
Depreciation for the year	-	12	-	1,210	1,222
Disposals	-	-	-	(576)	(576)
Adjustment on revaluation	-	(60)	-	-	(60)
At 31 December 2010/1 January 2011	-	-	-	6,581	6,581
Depreciation for the year	-	-	-	1,042	1,042
Disposals	-	-	-	(95)	(95)
At 31 December 2011	-	-	-	7,528	7,528
Carrying amounts					
At 1 January 2010	15,400	575	-	3,826	19,801
At 31 December 2010/ 1 January 2011	25,100	539	8,437	3,034	37,110
At 31 December 2011	25,100	539	19,293	2,413	47,345

Property, plant and equipment under construction

During the year ended 31 December 2011, the Group incurred the following:

(i) installation and implementation of a new software of the Group and Company; costs incurred up to the period end date totalled RM19,293,000 (2010: RM8,437,000).

(ii) installation of new plant and machinery for manufacturing of a wide range of pharmaceutical products; costs incurred up to the period end date totalled RM2,453,000 (2010: RM40,510,000).

4. INTANGIBLE ASSETS

Group	Note	Goodwill	Marketing rights	Trademark	Brands	Total
Cost						
At 1 January 2010		310,930	17,123	63	4,000	332,116
Reversal of contingent consideration	4.4	(4,185)	-	-	-	(4,185)
Effect of movement in exchange rates		-	(1,706)	-	-	(1,706)
At 31 December 2010/1 January 2011		306,745	15,417	63	4,000	326,225
Effect of movement in exchange rates		-	468	-	-	468
At 31 December 2011		306,745	15,885	63	4,000	326,693
Accumulated impairment loss						
At 1 January 2010		17,480	-	-	-	17,480
Impairment loss		5,500	-	-	-	5,500
At 31 December 2010/ 1 January 2011/ 31 December 2011		22,980	-	-	-	22,980
Carrying amounts						
At 1 January 2010		293,450	17,123	63	4,000	314,636
At 31 December 2010/1 January 2011		283,765	15,417	63	4,000	303,245
At 31 December 2011		283,765	15,885	63	4,000	303,713

Company	Trademark
Cost	
At 1 January 2010/ At 31 December 2010/ 1 January 2011/ At 31 December 2011	63
Accumulated impairment losses	
At 1 January 2010/ At 31 December 2010/ 1 January 2011/ At 31 December 2011	-
Carrying amount	
At 1 January 2010/ At 31 December 2010/ 1 January 2011/ At 31 December 2011	63

4. INTANGIBLE ASSETS (CONTINUED)

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 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 for impairment during the year. It is reasonably anticipated that the brands will be recovered through future commercial activity.

4.2 Amortisation and impairment charge

Amortisation and impairment is allocated and recognised in the statements of 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	
	2011	**2010**
A subsidiary in pharmaceuticals division	193,850	193,850
Subsidiaries in chemicals division	89,915	89,915
	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.

4. INTANGIBLE ASSETS (CONTINUED)

4.3 Impairment testing for cash-generating units containing goodwill (continued)

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 (2010: 7 years) period were extrapolated using a steady growth rate of 8 percent (2010: 8 percent) for subsidiaries of pharmaceuticals division and 5 percent steady growth rate (2010: 5 percent declining growth rate) for subsidiaries of chemicals division. Management believes that these 5 years (2010: 10 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 5.65 percent (2010: 5.50 percent) was applied in determining the recoverable amount. The discount was estimated based on the Group weighted average cost of capital.

The key assumptions represent the Group 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.

4.4 Reversal of contingent consideration

Pursuant to the Conditional Profit Guarantee Agreement dated 23 April 2008 and Supplemental Conditional Profit Guarantee Agreement dated 3 July 2008 between AKN Technology Berhad ("AKN") and Chemical Company of Malaysia Berhad ("CCM") in respect of acquisition of Innovative Polymer Systems Sdn. Bhd., Innovative Resins Sdn. Bhd. and Delta Polymer Systems Sdn. Bhd. (collectively known as "Innovative Group"), AKN has agreed to compensate CCM any shortfall in Innovative Group cumulative net profit over the two financial years (i.e. 2009 and 2010) of RM40 million.

Following the completion of second anniversary of acquisition of Innovative Group on 31 December 2010, the cumulative net profit over the two financial years (i.e. 2009 and 2010) of Innovative Group was below RM40 million resulting in a shortfall of RM4.185 million. As such, this shortfall has been adjusted as part of cost of investment and goodwill of Innovative Group in financial year 2010.

5. PREPAID LEASE PAYMENTS

Group	Unexpired period less than 50 years
Cost	
At 1 January 2010	9,284
Effect of movements in exchange rates	(512)
At 31 December 2010/1 January 2011	8,772
Effect of movements in exchange rates	77
At 31 December 2011	8,849
Amortisation	
At 1 January 2010	1,412
Amortisation for the year	439
At 31 December 2010/1 January 2011	1,851
Amortisation for the year	445
At 31 December 2011	2,296
Carrying amounts	
At 1 January 2010	7,872
At 31 December 2010/1 January 2011	6,921
At 31 December 2011	6,553

6. INVESTMENT PROPERTIES

	Group		Company	
	2011	2010	2011	2010
At 1 January	42,682	47,667	127,600	135,667
Additions	-	-	-	227
Change in fair value	2,391	3,361	2,574	52
Disposals	-	(8,346)	-	(8,346)
Reclassification from property, plant and equipment	5,720	-	-	-
At 31 December	50,793	42,682	130,174	127,600

6. INVESTMENT PROPERTIES (CONTINUED)

Included in the above are:

	Group		Company	
	2011	2010	2011	2010
Freehold land	33,319	26,300	30,200	28,800
Leasehold land with unexpired lease period of less than 50 years	4,000	4,000	-	-
Leasehold land with unexpired lease period of more than 50 years	12,174	11,082	84,795	83,608
Buildings	1,300	1,300	15,179	15,192
At 31 December	50,793	42,682	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.

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

The range of yields applied to the net annual rentals to determine fair value of property for which current prices in an active market are unavailable is as follows:

Malaysia	Yields
Office buildings, warehouses and factory	3.59% - 5.95% (2010: 5.30% - 5.62%)
Residential house	0.74% (2010: 0.8%)

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Rental income	827	688	5,065	4,926
Direct operating expenses:				
- income generating investment properties	226	296	861	861
- non-income generating investment properties	6	1	-	-

7. INVESTMENT IN SUBSIDIARIES

	Company 2011	2010
At cost:		
Unquoted shares	342,077	326,021
Less: Accumulated impairment loss	(5,867)	(4,200)
	336,210	321,821

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2011 %	2010 %
CCM Fertilizers Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of fertilizers	50.1	50.1
Max Agriculture Sdn. Bhd.	Malaysia	Dormant	50.1	50.1
CCMF Agronomic and Technical Services Sdn. Bhd.*	Malaysia	Dormant	50.1	50.1
CCM Chemicals Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of chlor-alkali and coagulant products and marketing of industrial and specialty chemicals	80.0	80.0
CCM Watercare Sdn. Bhd.	Malaysia	Marketing of water treatment products	80.0	80.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	80.0	80.0
CCM Chemtrans Sdn. Bhd.	Malaysia	Dormant	80.0	80.0
CCM Chemtrade Sdn. Bhd.	Malaysia	Dormant	80.0	80.0
P.T. CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	80.0	80.0
CCM Pharma Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0
Innovax Sdn. Bhd.	Malaysia	Research and development of pharmaceutical products	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 2011 %	2010 %
CCM Innovative Solutions Sdn. Bhd. (f.k.a. Usaha Pharma (M) Sdn. Bhd.) and its subsidiaries :	Malaysia	Dormant	100.0	100.0
Innovative Polymer Systems Sdn. Bhd.	Malaysia	Manufacturing of hydrogel coating products.	100.0	93.06
Delta Polymer Systems Sdn. Bhd.	Malaysia	Manufacturing and trading of coating products.	100.0	93.05
Innovative Resins Sdn. Bhd.	Malaysia	Investment holding	100.0	93.06
CCM Agriculture (Sabah) Sdn. Bhd.	Malaysia	Manufacturing and marketing of fertilizers	100.0	100.0
CCM Agriculture Sdn. Bhd.	Malaysia	Manufacturing and marketing of fertilizers	100.0	100.0
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Pharmaceuticals (S) Pte. Ltd.*	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	100.0	100.0
P.T. CCM AgriPharma*	Indonesia	Manufacturing and trading of fertilizers and importing and trading of pharmaceutical products	100.0	100.0
CCM Siam Ltd.*	Thailand	Engage in the business of fertilizers, chemicals and pharmaceuticals	100.0	100.0
CCM Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Duopharma Biotech Berhad and its subsidiary:	Malaysia	Investment holding	73.37	73.37
Duopharma (M) Sdn. Bhd.	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	73.37	73.37

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2011 %	2010 %
Euphorex Corporation Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Liberal Wira Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Usaha Progresif Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	100.0	100.0
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing and sales of medicine and pharmaceutical products	100.0	100.0
CCM Biopharma Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
Unique Pharmacy (Ipoh) Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
Negeri Pharmacy Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Agri-Max Sdn. Bhd.	Malaysia	Marketing of wide range of fertilizers	100.0	100.0
CCM Usaha Kimia (M) Sdn. Bhd. and its subsidiary:	Malaysia	Marketing of chlor-alkali and chemical products	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	98.4
CCM Investments Limited** and its subsidiary:	British Virgin Islands	Investment holding	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 2011 %	2010 %
CCM International (Philippines), Inc.*	Republic of Philippines	Distribution, importing and exporting of pharmaceuticals and chemicals product	99.9	99.9
Yayasan CCM (Limited by Guarantee)	Malaysia	To receive and administer funds for education and charitable purposes, all for the public welfare.	100.0	100.0

* Audited by external auditors other than KPMG

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

7.1 Pursuant to the Shareholders' Agreement dated 23 April 2008 between the Company, CCM Usaha Kimia (M) Sdn. Bhd. ("CCMUK"), Mr. Mar Hung Than, Mr. Low Kim Choong and Mr. Chieng Diing Yaw, the Company had acquired the remaining shares in Innovative Polymer Systems Sdn. Bhd. ("IPSB"), Innovative Resins Sdn. Bhd. ("IRSB") and Delta Polymer Systems Sdn. Bhd. ("DPSB") not held by the Company and CCMUK amounting to 30,638 ordinary shares of RM1.00 each, 6,383 ordinary shares of RM1.00 each and 64 ordinary shares of RM1.00 each, respectively.

The above acquisition was carried out in two tranches on 12 January 2011 and 28 February 2011 at a total purchase price of RM7,056,000 satisfied in cash. As at 28 February 2011, the Company owned 100% equity interest in IPSB, IRSB and DPSB.

7.2 On 29 December 2011, the Company increased its investment in CCM International Sdn. Bhd., CCM Agriculture Sdn. Bhd., CCM Agriculture (Sabah) Sdn. Bhd. and CCMUK comprising of 2,200,100 ordinary shares of RM1.00 each, 2,200,100 ordinary shares of RM1.00 each , 2,200,100 ordinary shares of RM1.00 each and 2,400,100 ordinary share of RM1.00 each, respectively, by capitalisation of certain amount due to the Company.

7.3 On 30 December 2011, the Company restructured the shareholding of its direct subsidiaries, IPSB and DPSB. The entire equity interest of IPSB and DPSB comprising of 510,638 ordinary shares of RM1.00 each and 1,064 ordinary share of RM1.00 each, respectively, were transferred from the Company and CCMUK to CCM Innovative Solutions Sdn. Bhd. (formerly known as Usaha Pharma (M) Sdn. Bhd.) ("CCMIS"), a direct wholly-owned subsidiary of the Company for a total purchase consideration of RM122,959,046. The purchase consideration was satisfied by issuance of new shares by CCMIS to the Company comprising of 122,959,046 ordinary share of RM1.00 each. As a result of the transfer, IPSB and DPSB became wholly-owned subsidiaries of the CCMIS.

7.4 In 2010, the Company acquired 151,248 ordinary shares of RM1.00 each representing 1.51% of the issued and paid up capital of CCM Water System Sdn. Bhd. ("CCMWS") from Mr Aloysius Lai Min Yun for a total purchase consideration of RM605,150, as agreed in the Shareholders' Agreement between the Company, CCMUK, Mr Lai Wai Kun and Mr Aloysius Lai Min Yun dated 17 April 2008.

As a result of the above acquisition, the total shareholding of the Company in CCMWS stood at 528,173 ordinary shares of RM1.00 each, representing approximately 5.28% of the issued and paid up capital of CCMWS and, effectively CCMWS became wholly owned subsidiary of the Company.

8. INVESTMENT IN ASSOCIATE

	Group 2011	Group 2010	Company 2011	Company 2010
At cost:				
Unquoted shares	1,408	1,408	-	-
Share of post acquisition reserves	11,560	9,026	-	-
Dividend received from associate	(2,430)	(2,430)	-	-
	10,538	8,004	-	-

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

Group	Country of incorporation	Effective ownership interest	Revenue (100%)	Profit (100%)	Total assets (100%)	Total liabilities (100%)
2011						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	45.0%	39,657	5,632	33,083	9,265
2010						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	45.0%	30,406	4,607	25,650	7,464

9. OTHER INVESTMENTS

Group	Share Quoted in Malaysia	Share Quoted outside Malaysia	Total
2011			
Non-current			
Available-for-sale	124	-	124
Representing items:			
At fair value	124	-	124
Market value of quoted investments	124	-	124

9. OTHER INVESTMENTS (CONTINUED)

Group	Share Quoted in Malaysia	Share Quoted outside Malaysia	Total
2010			
Non-current			
Available-for-sale			
Financial assets	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	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Property, plant and equipment	-	-	27,934	30,588	27,934	30,588
Provisions	(5,775)	(4,006)	-	-	(5,775)	(4,006)
Other temporary differences	(5,043)	(8,056)	77	56	(4,966)	(8,000)
Tax losses carry-forwards	(6,489)	(658)	-	-	(6,489)	(658)
Tax (assets)/liabilities	(17,307)	(12,720)	28,011	30,644	10,704	17,924
Set off	7,306	9,451	(7,306)	(9,451)	-	-
Net tax (assets)/liabilities	(10,001)	(3,269)	20,705	21,193	10,704	17,924
Company						
Property, plant and equipment	-	-	3,091	2,022	3,091	2,022
Other temporary differences	(315)	-	-	-	(315)	-
Tax (assets)/liabilities	(315)	-	3,091	2,022	2,776	2,022
Set off	315	-	(315)	-	-	-
Net tax (assets)/liabilities	-	-	2,776	2,022	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 2011	Group 2010
Tax losses carry-forwards	(5,966)	(27,918)
Other temporary differences	1,406	1,080
	(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 1.1.2010	Recognised in profit or loss (Note 22)	Recognised in equity	At 31.12.2010	Recognised in profit or loss (Note 22)	At 31.12.2011
Group						
Property, plant and equipment	24,264	2,631	3,693	30,588	(2,654)	27,934
Provisions	(5,336)	1,330	-	(4,006)	(1,769)	(5,775)
Other temporary differences	(3,362)	(4,638)	-	(8,000)	3,034	(4,966)
Tax losses carry-forwards	(1,831)	1,173	-	(658)	(5,831)	(6,489)
	13,735	496	3,693	17,924	(7,220)	10,704
Company						
Property, plant and equipment	2,807	(785)	-	2,022	1,069	3,091
Other items	-	-	-	-	(315)	(315)
	2,807	(785)	-	2,022	754	2,776

11. TRADE AND OTHER RECEIVABLES

	Note	Group 2011	Group 2010	Company 2011	Company 2010
Current Trade					
Trade receivables		328,353	392,082	-	-
Amount due from contract customers	11.1	218	2,440	-	-
		328,571	394,522	-	-
Non-trade					
Amount due from subsidiaries	11.2	-	-	28,848	7,074
Amount due from associate	11.2	25	23	17	17
Deposits		3,140	2,916	383	255
Other receivables		6,504	4,916	42	390
Prepayments		16,275	6,827	1,877	4,409
		25,944	14,682	31,167	12,145
Total current		354,515	409,204	31,167	12,145
Non-current					
Non-trade					
Amount due from subsidiaries	11.3	-	-	652,523	699,991
Total non-current		-	-	652,523	699,991

11.1 Construction work in progress

	Note	Group 2011	Group 2010	Company 2011	Company 2010
Aggregate costs incurred to date		28,083	20,187	-	-
Add: Attributable profits less foreseeable loss		-	4,868	-	-
		28,083	25,055	-	-
Less: Progress billings		(27,872)	(22,834)	-	-
		211	2,221	-	-
Amount due from contract customers		218	2,440	-	-
Amount due to contract customers	18	(7)	(219)	-	-
		211	2,221	-	-

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11.2 The non-trade receivables due from subsidiaries and associate are unsecured, subject to interest ranging from 4.05% p.a. to 4.45% p.a. (2010: 4.19% p.a. to 4.36% p.a.) and repayable on demand.

11.3 The advances to subsidiary companies are unsecured, subject to interest ranging from 4.05% p.a. to 4.45% p.a. (2010: 4.19% p.a. to 4.36% p.a.) and are not repayable over the next 12 months.

12. INVENTORIES

	Group	
	2011	2010
Raw materials	138,512	82,046
Work-in-progress	7,291	8,201
Finished goods	227,134	196,211
Spares and consumables	18,380	21,604
	391,317	308,062

In 2011, the write-down of inventories to net realisable value amounted to RM1,044,000 (2010: RM3,046,000) and write-off of inventories amounted to RM5,933,000 (2010: RM3,349,000). The write-down and write-off are included in cost of sales.

13. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2011	2010
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 RM Nil (2010: RM140,000) was recognised as other operating expense in the profit or loss of the Group to write down the assets to fair value less cost to sell.

14. CASH AND CASH EQUIVALENTS

	Group 2011	Group 2010	Company 2011	Company 2010
Cash and bank balances	110,544	73,478	1,367	4,180
Deposits are placed with licensed banks	69,997	138,681	45,433	83,558
	180,541	212,159	46,800	87,738

Included in deposits placed with licensed banks of the Group, RM547,000 (2010: 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			
	Amount 2011	Number of shares 2011 '000	Amount 2010	Number of shares 2010 '000
Authorised:				
Ordinary shares of RM1 each	800,000	800,000	800,000	800,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January	404,741	404,741	402,946	402,946
Conversion of warrants	15	15	1,795	1,795
At 31 December	404,756	404,756	404,741	404,741

15.2 Capital redemption reserve

The capital redemption reserve comprises the equity portion of financial instruments issued.

15.3 Translation reserve

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

15.4 Fair value reserve

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

15. CAPITAL AND RESERVES (CONTINUED)

15.5 Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

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 Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

There were no repurchase of its issued shares capital since 2003. At 31 December 2011, the Group held 2,998,000 (2010: 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 2011 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.

Subject to agreement by the Inland Revenue Board, the Company has moved into the single tier dividend system. As such, all its distributable reserves at 31 December 2011 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 ("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 2010 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 15,000 (2010: 1,795,000) ordinary shares of RM1 each for cash arising from conversion of 15,000 (2010: 1,795,000) Warrants-B on the basis of one ordinary share at the price of RM1.36 (2010: RM1.36) per ordinary share for every warrant held.

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 27.

	Note	Group		Company	
		2011	2010	2011	2010
Non-current					
Secured term loan	16.1	356	838	-	-
Unsecured Sukuk Musyarakah	16.2	120,000	-	120,000	-
Unsecured 3-years term loan	16.3	-	300,000	-	300,000
Unsecured non-revolving loan	16.4	2,082	10,416	-	-
		122,438	311,254	120,000	300,000
Current					
Secured term loan	16.1	483	451	-	-
Unsecured bank overdrafts		-	18,421	-	-
Unsecured bankers' acceptances		64,700	133,450	-	-
Unsecured revolving credit	16.5	208,334	204,832	110,000	130,000
Unsecured 3-years term loan	16.3	300,000	-	300,000	-
Unsecured term loan and trade facilities	16.6	83,219	14,468	-	-
Unsecured non-revolving loan	16.4	8,334	8,334	-	-
Unsecured Musyarakah medium term notes	16.7	-	150,000	-	150,000
		665,070	529,956	410,000	280,000

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.

16.2 Unsecured Sukuk Musyarakah

On 8 August 2011, the Company issued RM120,000,000 nominal amount of 5 year fixed rate Unsecured Sukuk Musyarakah ("USM") at 4.35% p.a. 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

16. LOANS AND BORROWINGS (CONTINUED)

16.2 Unsecured Sukuk Musyarakah (continued)

Negative Covenants

The Company will not, without written consent from of 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.

16.3 Unsecured 3-years term loan

On 19 August 2009, the Company has entered into a RM300 million, 3 years unsecured term loan with Bank of Tokyo-Mitsubishi USJ (Malaysia) Berhad at the rate of 3.92% p.a. (for first RM100 million) and 3.95% p.a. (for balance RM200 million).

Significant Covenant

The Term Loan is subject to fulfilment of the following covenant:

i) the consolidated Net Worth shall not be less than RM750 million (2010: RM750 million).

ii) the interest Coverage Ratio of not less than 2.0 times (2010: 2.0 times).

iii) the consolidated Total Indebtedness to Consolidated Networth Ratio shall not be exceeding 1.5 times (2010: 1.5 times). (Net worth consists of share capital, non controlling interest and retained earnings/losses).

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. During the year, the subsidiary has utilised RM10,416,000 (2010: RM18,750,000) of the said facility.

16. LOANS AND BORROWINGS (CONTINUED)

16.4 Unsecured non-revolving loan (continued)

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;

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

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

iii) the total liabilities to Tangible Net Worth Ratio of the subsidiary company does not exceed 1.75 times (2010: 1.75 times); and

iv) the Debt Service Cover Ratio of the subsidiary company is at least 2.0 times (2010: 2.0 times).

16.5 Unsecured revolving credit

On 18 March 2011, the Company has obtained an unsecured RM50 million 1 year Revolving Credit ("RC") Facility with Bank of Tokyo at the rate of 3.72% p.a.. The Company also obtained unsecured RM60 million 29 days RC from AmBank (M) Berhad at the rate of 4.07% p.a..

Significant Covenants

The RC is subject to fulfilment of the following covenants:

i) the borrower shall maintain a Gearing Ratio of not more than 1.5 times (2010: 1.5 times) during the tenure of the facility.

ii) the borrower shall maintain Debt Service Coverage Ratio at least 2.0 times (2010: 2.0 times) Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

On 12 September 2011 and 25 October 2011, a subsidiary of the Company has obtained revolving credit facility of RM10 million each from HSBC Bank Malaysia Berhad and OCBC Bank Berhad respectively.

Significant Covenants

The RC is subject to fulfilment of the following covenants:

i) the borrower shall maintain a Gearing Ratio of not more than 1.0 to 1.5 times.

ii) the borrower shall maintain Debt Service Coverage Ratio at least 2.5 times Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

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

16.6 Unsecured term loan and trade facilities

On 8 July 2011, a subsidiary has received an unsecured term loan of USD15 million and trade facilities of USD5 million from The Bank International Indonesia ("BII"). During the year, the subsidiary has utilised both facilities amounting to USD6,672,000.

16. LOANS AND BORROWINGS (CONTINUED)

16.6 Unsecured term loan and trade facilities (continued)

Significant Covenants

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

i) no changes in direct majority shareholding structure of the subsidiary.

ii) no additional indebtedness by the subsidiary without prior written consent from the BII.

Other than the bank facilities obtained above, a subsidiary has received a revolving credit facility and trade facilities of USD5 million each on 11 July 2011 from CIMB Bank (L) Ltd..

Significant Covenants

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

i) 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% p.a. (2010: 5.95% p.a.).

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 (2010: 1.5 times).

ii) the Profit/Interest Cover Ratio of at least 2 times (2010: 2 times).

Negative Covenants

The Company will not, without written consent from of 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 authorized 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.

16. LOANS AND BORROWINGS (CONTINUED)

16.7 Unsecured Musyarakah medium term notes (continued)

Negative Covenants (continued)

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 consistent with the provisions and conditions of the Financing Document and Trust Deed.

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount	Under 1 year	1 - 2 years	2 - 5 years	Over 5 years
2011						
Unsecured 3-years term loan	2012	300,000	300,000	-	-	-
Unsecured Sukuk Musyarakah	2016	120,000	-	-	120,000	-
Secured term loan	2013	839	483	356	-	-
Unsecured term loan and trade facilities	2012	83,219	83,219	-	-	-
Unsecured bankers' acceptances	2012	64,700	64,700	-	-	-
Unsecured revolving credits	2012	208,334	208,334	-	-	-
Unsecured non-revolving loan	2013	10,416	8,334	2,082	-	-
		787,508	665,070	2,438	120,000	-
2010						
Unsecured 3-years term loan	2012	300,000	-	300,000	-	-
Unsecured Musyarakah medium term note	2011	150,000	150,000	-	-	-
Secured term loan	2013	1,289	451	838	-	-
Unsecured term loan	2011	14,468	14,468	-	-	-
Unsecured bank overdrafts	2011	18,421	18,421	-	-	-
Unsecured bankers' acceptances	2011	133,450	133,450	-	-	-
Unsecured revolving credits	2011	204,832	204,832	-	-	-
Unsecured non-revolving loan	2013	18,750	8,334	10,416	-	-
		841,210	529,956	311,254	-	-

16. LOANS AND BORROWINGS (CONTINUED)

16.7 Unsecured Musyarakah medium term notes (continued)

Terms and debt repayment schedule (continued)

Company	Year of maturity	Carrying amount	Under 1 year	1 - 2 years	2 - 5 years	Over 5 years
2011						
Unsecured 3-years term loan	2012	300,000	300,000	-	-	-
Unsecured Sukuk Musyarakah	2016	120,000	-	-	120,000	-
Unsecured revolving credit	2012	110,000	110,000	-	-	-
		530,000	410,000	-	120,000	-
2010						
Unsecured 3-years term loan	2012	300,000	-	300,000	-	-
Unsecured Musyarakah medium term notes	2011	150,000	150,000	-	-	-
Unsecured revolving credit	2011	130,000	130,000	-	-	-
		580,000	280,000	300,000	-	-

17. PROVISION

	Group	
Warranties	**2011**	**2010**
At 1 January	850	667
Provision made during the year	406	574
Provision utilised during the year	(490)	(391)
At 31 December	766	850

The provision of warranties relates to pharmaceutical products sold. The provision is based on estimates made from historical warranty data associated with similar products. The Group expects to incur the liability over the next 2 years (2010: 2 years).

18. TRADE AND OTHER PAYABLES

	Note	Group 2011	Group 2010	Company 2011	Company 2010
Trade					
Trade payables		205,481	147,798	-	-
Amount due to contract customers	11.1	7	219	-	-
		205,488	148,017	-	-
Non-trade					
Accrued expenses		22,318	35,802	-	-
Amount due to subsidiaries	18.1	-	-	17,119	19,640
Other payables		35,432	38,319	9,757	23,034
		57,750	74,121	26,876	42,674
		263,238	222,138	26,876	42,674

18.1 The non-trade payables due to subsidiaries are unsecured, interest bearing ranging from 4.05% p.a. to 4.45% p.a. (2010: 4.19% p.a. to 4.36% p.a.) and repayable on demand.

19. REVENUE

	Group 2011	Group 2010	Company 2011	Company 2010
Sales	1,603,290	1,623,947	-	-
Construction contracts	3,027	13,243	-	-
Services	3,043	1,161	-	-
Rental income from investment properties	827	688	5,065	4,926
Dividends	-	-	67,500	21,441
	1,610,187	1,639,039	72,565	26,367

20. OPERATING PROFIT

	Group		Company	
	2011	2010	2011	2010
Operating profit is arrived at after charging:				
Impairment loss:				
- Goodwill	-	5,500	-	-
- Trade receivables	3,019	3,585	-	-
- Asset held for sale	-	140	-	-
- Investment in subsidiary	-	-	1,667	-
- Amount due from subsidiary	-	-	12,628	-
Amortisation of prepaid lease payments	445	439	-	-
Auditors' remuneration				
- Statutory Audit				
Auditor of the Company – current year	525	470	60	50
Auditor of the Company – prior year	50	-	50	-
Other auditors	116	40	-	-
- Other services by auditor of the Company	85	275	70	103
Bad debts written off	-	35	-	-
Depreciation of property, plant and equipment	43,117	44,206	1,042	1,222
Interest expense:				
- Subsidiaries	-	-	724	1,421
- Bank overdraft	206	1,123	164	164
- Revolving credits	8,699	4,963	6,166	4,071
- Bankers' acceptances	579	2,797	-	-
- Term loans	4,999	1,403	-	1,212
- Unsecured 3-years term loan	12,366	12,552	12,366	12,552
- Other borrowings	12,262	11,816	9,312	10,405
Operating leases expense	1,145	794	-	-
Property, plant and equipment written off	156	809	-	-
Rental expenses on property leases	6,200	6,093	861	1,035
Rental expenses on equipment	310	3,005	-	-
Research and development costs expensed as incurred	7,050	6,610	-	-
Personnel expenses (including key management personnel)				
- Contribution to Employees Provident Fund	11,089	10,839	1,483	1,432
- Wages, salaries and others	92,749	84,697	10,214	8,227
Write-down of inventories	1,044	3,046	-	-
Write-off of inventories	5,933	3,349	-	-
Net foreign exchange loss	2,733	3,332	-	-
Loss on revaluation of property, plant and equipment	-	8,955	-	-

20. OPERATING PROFIT (CONTINUED)

	Group 2011	Group 2010	Company 2011	Company 2010
and after crediting:				
Reversal of impairment loss on trade receivables	4,140	940	-	-
Change in fair value of investment properties	2,391	3,361	2,574	52
Gain on disposal of property, plant and equipment	206	2,347	12	1,731
Interest income:				
- Subsidiaries	-	-	29,154	30,882
- Associate	4	3	-	-
- Fixed deposits	4,285	3,074	3,583	1,837
- Others	571	190	-	-
Net foreign exchange gain	1,517	6,338	-	-
Gain on disposal of other investment	9,481	-	-	-
Gain on disposal of asset held for sale	-	3,804	-	1,522
Gain on disposal of investment properties	-	160	-	160

21. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group 2011	Group 2010	Company 2011	Company 2010
Directors				
- Fees	412	410	412	410
- Remuneration	747	564	747	564
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	167	84	167	84
	1,326	1,058	1,326	1,058
Other key management personnel:				
- Remuneration	4,438	4,808	1,530	2,267
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	603	316	198	142
	5,041	5,124	1,728	2,409

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

	Note	Group 2011	Group 2010	Company 2011	Company 2010
Income tax expense		18,437	26,129	11,446	5,208
Share of tax of equity accounted associate		845	791	-	-
Total income tax expense		19,282	26,920	11,446	5,208
Major components of income tax expense include:					
Current tax expense					
Malaysian - current year		26,455	25,989	10,941	6,143
- prior year		(861)	(1,322)	(249)	(150)
Overseas - current year		102	602	-	-
- prior year		(39)	364	-	-
Total current tax expense		25,657	25,633	10,692	5,993
Deferred tax expense					
Origination and reversal of temporary differences		(7,328)	1,146	729	(785)
Under/(Over) provision in prior years		108	(650)	25	-
Total deferred tax expense	10	(7,220)	496	754	(785)
		18,437	26,129	11,446	5,208
Share of tax of equity accounted associate		845	791	-	-
Total income tax expense		19,282	26,920	11,446	5,208

	Group 2011 %	Group 2010 %	Company 2011 %	Company 2010 %
Profit before tax	100	100	100	100
Income tax at Malaysian tax rate of 25%	25	25	25	25
Non-deductible expenses	32	32	14	77
Non-taxable income	(6)	(8)	(16)	(78)
Tax exempt income	(8)	(8)	-	-
Overprovision in prior years	(1)	(3)	-	(1)
Change in unrecognised temporary differences	(10)	6	-	-
	32	44	23	23

23. OTHER COMPREHENSIVE INCOME

Group	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2011			
Foreign currency translation differences for foreign operations			
- Gains arising during the year	(1,292)	-	(1,292)
Fair value of available-for-sale financial assets			
- Loss arising during the year	(16,638)	-	(16,638)
	(17,930)	-	(17,930)
2010			
Foreign currency translation differences for foreign operations			
- Gains arising during the year	123	-	123
Fair value of available-for-sale financial assets			
- Loss arising during the year	(8,687)	-	(8,687)
Revaluation of property, plant and equipment	34,644	(3,693)	30,951
	26,080	(3,693)	22,387
Company			
2011			
Revaluation of property, plant and equipment	-	-	-
2010			
Revaluation of property, plant and equipment	9,676	-	9,676

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2011	Group 2010
Profit for the year attributable to ordinary shareholders	22,272	15,372

24. EARNINGS PER ORDINARY SHARE (CONTINUED)

Weighted average number of ordinary shares

	Group	
	2011	2010
	'000	'000
Issued ordinary shares at 1 January	404,741	402,946
Effect of ordinary shares issued	15	1,795
Weighted average number of ordinary shares at 31 December	404,756	404,741

	Group	
	2011	2010
	Sen	Sen
Basic earnings per ordinary share	5.50	3.80

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2011 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	
	2011	2010
Profit for the year attributable to ordinary shareholders	22,272	15,372

Weighted average number of ordinary shares diluted

	Group	
	2011	2010
Weighted average number of ordinary shares at 31 December	404,756	404,741
Effect of conversion of warrants	55,314	55,329
Weighted average number of ordinary shares (diluted) at 31 December	460,070	460,070

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.

24. EARNINGS PER ORDINARY SHARE (CONTINUED)

Diluted earnings per ordinary share (continued)

	Group 2011 Sen	Group 2010 Sen
Diluted earnings per ordinary share	4.84	3.34

25. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount	Date of payment
2011			
Final 2010 ordinary (tax exempt - single tier)	2.65	10,646	22 July 2011
2010			
Final 2009 ordinary (tax exempt - single tier)	8.00	31,998	9 July 2010

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 ordinary (net of tax at 25%)	0.33
Final ordinary (tax exempt – single tier)	2.42

26. OPERATING SEGMENT

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.

26. OPERATING SEGMENT (CONTINUED)

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Segment (loss)/profit	(11,309)	3,433	31,404	17,673	10,778	12,378	47,500	20,740	(39,134)	(21,153)	39,239	33,071
Included in the measure of segment (loss)/profit:												
Total external revenue	934,205	930,757	413,225	457,592	262,364	250,002	393	688	-	-	1,610,187	1,639,039
Inter-segment revenue	-	-	-	1,735	-	-	67,500	25,679	(67,500)	(27,414)	-	-
Revaluation loss	-	8,955	-	-	-	-	-	-	-	-	-	8,955
Write-down of inventories	389	1,421	655	1,318	-	307	-	-	-	-	1,044	3,046
Write-off of inventories	93	-	2,833	453	3,007	2,896	-	-	-	-	5,933	3,349
Impairment of intangible assets	-	-	-	4,000	-	1,500	-	-	-	-	-	5,500
Share of profit of associates	-	-	2,534	2,073	-	-	-	-	-	-	2,534	2,073
Not included in the measure of segment profit but provided to Group Managing Director:												
Depreciation and amortisation	(14,049)	(12,837)	(12,654)	(13,027)	(14,431)	(13,606)	(2,428)	(5,175)	-	-	(43,562)	(44,645)
Finance costs	(14,728)	(11,931)	(5,552)	(7,248)	(17,859)	(18,244)	(31,046)	(29,353)	30,074	32,122	(39,111)	(34,654)
Finance income	627	329	994	1,256	376	1,660	33,580	32,909	(30,717)	(32,887)	4,860	3,267
Income tax expense	(1,328)	(4,085)	(12,127)	(10,165)	(8,694)	(7,661)	(11,740)	(5,252)	15,452	1,034	(18,437)	(26,129)
Segment assets	658,813	667,022	321,852	423,910	868,643	765,278	1,233,435	1,357,375	(1,087,506)	(1,203,658)	1,995,237	2,009,927
Included in the measure of segment (loss)/profit:												
Investment in associate	-	-	10,538	8,004	-	-	-	-	-	-	10,538	8,004
Additions to non-current assets other than financial instrument and deferred tax assets	4,762	36,804	11,061	7,083	11,715	35,023	11,302	8,862	-	-	38,840	87,772
Segment liabilities	526,800	472,040	198,903	209,858	206,390	208,050	193,582	241,965	-	-	1,125,675	1,131,913

26. OPERATING SEGMENT (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		Unallocated		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Geographical Segments										
External revenue	1,262,232	1,240,021	263,276	301,161	84,679	97,857	-	-	1,610,187	1,639,039
Segment assets	1,734,914	1,726,906	226,519	248,787	33,804	34,234	-	-	1,995,237	2,009,927
Segment liabilities	957,826	996,254	151,186	119,584	16,663	16,075	-	-	1,125,675	1,131,913

27. FINANCIAL INSTRUMENTS

27.1 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).

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	-	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.1 Categories of financial instruments (continued)

2010	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	-	-
2011				
Financial liabilities				
Group				
Loans and borrowings	(787,508)	(787,508)	-	-
Trade and other payables	(263,231)	(263,231)	-	-
	(1,050,739)	(1,050,739)	-	-
Company				
Loans and borrowings	(530,000)	(530,000)	-	-
Trade and other payables	(26,876)	(26,876)	-	-
	(556,876)	(556,876)	-	-
2010				
Financial liabilities				
Group				
Loans and borrowings	(841,210)	(841,210)	-	-
Trade and other payables, including derivatives	(221,978)	(221,919)	(59)	-
	(1,063,188)	(1,063,129)	(59)	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.1 Categories of financial instruments (continued)

2010	Carrying amount	L&R/ (OL)	FVTPL -Derivatives	AFS
Company				
Loans and borrowings	(580,000)	(580,000)	-	-
Trade and other payables	(42,674)	(42,674)	-	-
	(622,674)	(622,674)	-	-

27.2 Net gains and losses arising from financial instruments

	Group		Company	
	2011	2010	2011	2010
Available-for-sale financial assets				
- recognised in other comprehensive income	(16,638)	(8,687)	-	-
- recognised in profit and loss	9,481	-	-	-
Loans and receivables	5,195	2,747	32,737	32,719
Financial liabilities measured at amortised cost	(39,541)	(34,654)	(41,360)	(28,404)
	(41,503)	(40,594)	(8,623)	4,315

27.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.4 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 and the Company'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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.4 Credit risk (continued)

(i) Receivables (continued)

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.

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

	Group	
	2011	2010
Malaysia	243,853	273,728
Indonesia	73,153	102,795
Others	11,347	15,559
	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
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
2010				
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

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.4 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	
	2011	2010
At 1 January	26,742	24,196
Impairment loss recognised	3,019	3,585
Impairment loss reversed	(4,140)	(940)
Impairment loss written off	(2,504)	(99)
At 31 December	23,117	26,742

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.

(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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.4 Credit risk (continued)

(iii) Inter company balances (continued)

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.

27.5 Liquidity risk

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

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

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 2011	Carrying amount	Contractual interest/ profit rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
Secured term loan	839	7.05%	894	528	366	-	-
Unsecured term loan	83,219	1.54% - 7.00%	86,900	86,900	-	-	-
Unsecured Sukuk Musyarakah	120,000	4.35%	143,925	5,220	5,220	133,485	-
Unsecured 3-years term loan	300,000	3.92% - 3.95%	310,520	310,520	-	-	-
Unsecured non-revolving loan	10,416	3.49% - 4.10%	10,665	8,576	2,089	-	-
Unsecured bankers' acceptance	64,700	3.21% - 3.97%	64,700	64,700	-	-	-
Unsecured revolving credit	208,334	3.61% - 6.00%	208,334	208,334	-	-	-
Trade and other payables	263,238		263,238	263,238	-	-	-
	1,050,746		1,089,176	948,016	7,675	133,485	-
2010							
Secured term loan	1,289	7.05%	1,422	528	894	-	-
Unsecured term loan	14,468	1.03% - 2.45%	14,468	14,468	-	-	-
Unsecured Musyarakah medium term notes	150,000	5.95%	150,000	150,000	-	-	-
Unsecured 3-years term loan	300,000	3.92% - 3.95%	322,091	11,820	310,271	-	-
Unsecured non-revolving loan	18,750	3.49% - 4.10%	19,583	8,918	10,665	-	-
Unsecured bank overdraft	18,421	1.50% - 6.55%	18,421	18,421	-	-	-
Unsecured bankers' acceptance	133,450	3.05% - 3.55%	133,450	133,450	-	-	-
Unsecured revolving credit	204,832	2.95% - 3.85%	204,832	204,832	-	-	-
Trade and other payables	216,719		216,719	216,719	-	-	-
	1,057,929		1,080,986	759,156	321,830	-	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.5 Liquidity risk (continued)

Maturity analysis (continued)

Company 2011	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
Unsecured 3-years term loan	300,000	3.92% - 3.95%	310,520	310,520	-	-	-
Unsecured Sukuk Musyarakah	120,000	4.35%	143,925	5,220	5,220	133,485	-
Unsecured revolving credit	110,000	3.72% - 4.07%	110,000	110,000	-	-	-
Trade and other payables	26,876		26,876	26,876	-	-	-
	556,876		591,321	452,616	5,220	133,485	-
2010							
Unsecured 3-years term loan	300,000	3.92% - 3.95%	322,091	11,820	310,271	-	-
Unsecured Musyarakah medium term notes	150,000	5.95%	150,000	150,000	-	-	-
Unsecured revolving credit	130,000	2.95% - 3.85%	130,000	130,000	-	-	-
Trade and other payables	42,674		42,674	42,674	-	-	-
	622,674		644,765	334,494	310,271	-	-

27.6 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.

27.6.1 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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 Market risk (continued)

27.6.1 Interest rate risk (continued)

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	
	2011	2010	2011	2010
Fixed rate instruments				
Financial assets	70,022	138,704	726,821	790,640
Financial liabilities	(777,092)	(790,812)	(530,000)	(599,640)
	(707,070)	(652,108)	196,821	191,000
Floating rate instruments				
Financial liabilities	(10,416)	(50,398)	-	-

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		Profit or loss	
Group	50bp increase 2011	50bp decrease 2011	50bp increase 2010	50bp decrease 2010
Floating rate instruments	(39)	39	(189)	189
Cash flow sensitivity (net)	(39)	39	(189)	189

27.6.2 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 and Thai Baht.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 Market risk (continued)

27.6.2 Currency risk (continued)

In respect of other monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group and the Company ensure that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short term imbalances.

Risk management objectives, policies and processes for managing the risk

Currently, the Group does not hedge these exposures. However, the management keeps this policy under review.

Exposure to foreign currency risk

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

Group		**Denominated in**	
(Amounts are stated in RM'000)	**USD**	**SGD**	**BHT**
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
2010			
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

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)	**2011**	**2010**
USD	10,317	1,489
SGD	(231)	(227)
BHT	(2)	(15)

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 Market risk (continued)

27.6.2 Currency risk (continued)

Currency risk sensitivity analysis (continued)

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.

27.7 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:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Group				
Quoted shares	124	124	24,515	24,515
Forward exchange contracts:				
- Liabilities	-	-	59	59
Unsecured Sukuk Musyarakah	120,000	112,000	-	-
Unsecured 3-years term loan	-	-	300,000	300,000
Secured term loan	356	356	838	838
Company				
Unsecured Sukuk Musyarakah	120,000	120,000	-	-
Unsecured 3-years term loan	-	-	300,000	300,000

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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.7 Fair values of financial instruments (continued)

Non-derivative financial liabilities (continued)

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).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2011				
Financial assets				
Quoted shares	124	-	-	124

Comparative figures have not been presented for 31 December 2010 by virtue of the exemption provided in paragraph 44G of FRS 7.

28. 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.

The Group's strategy was to maintain the debt-to-equity ratio of not more than 1.5:1 to comply with the banks covenant. There were no changes in the Group's approach to capital management during the financial year. The Group has not breached this covenant.

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.

29. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2011	2010	2011	2010
Capital expenditure commitments				
Plant and equipment				
Authorised but not contracted for	30,454	31,027	-	-
Contracted but not provided for	35,406	53,909	16,247	42,558
	65,860	84,936	16,247	42,558

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		Balance outstanding as at 31 December	
Group	2011	2010	2011	2010
Sales of products to significant investors that has influence over a subsidiary	46,402	26,488	13,750	9,181
Company				
Rental income from subsidiaries	4,238	4,238	402	647
Shared cost charged to subsidiaries	13,349	14,338	11,507	14,338

There is no impairment made in respect of these balances outstanding at year end.

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.

30. RELATED PARTIES (CONTINUED)

Identity of related parties

Bursa Malaysia Securities Berhad had written a letter dated 11 October 2006 to approve the Company's application for waiver from complying with Paragraph 10.08 and 10.09 of the Listing Requirements in relation to transactions between the CCM Group of Companies and companies in which Permodalan Nasional Berhad ("PNB") and/or the Unit Trusts Funds managed by PNB companies, have interests.

31. ACQUISITIONS OF NON-CONTROLLING INTERESTS

On 28 February 2011, the Group acquired an additional interest in IPSB, DPSB and IRSB (collectively known as "Innovative Group") at total purchase price of RM7,056,000 in cash, increasing its ownership to 100%. The carrying amount of Innovative Group's net assets in the Group's financial statements on the date of the acquisition was RM59,683,000. The Group recognised a decrease in non-controlling interests of RM3,742,000 and a decrease in retained earnings of RM3,314,000.

The following summarises the effect of changes in the equity interest in Innovative Group that is attributable to owners of the Company:

	RM'000
Equity interest at 1 January 2011	55,945
Effect of increase in Company's ownership interest	3,742
Share of comprehensive income	(29,336)
Equity interest at 31 December 2011	30,351

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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	379,318	408,754	258,064	229,099
- unrealised	24,661	7,571	(280)	2,022
	403,979	416,325	257,784	231,121
Total share of retained earnings of associates				
- realised	10,539	7,859	-	-
- unrealised	179	145	-	-
	414,697	424,329	257,784	231,121
Less: Consolidation adjustments	(138,748)	(156,692)	-	-
Total retained earnings	275,949	267,637	257,784	231,121

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