Directors' Report for the year ended 31 December 2008 and Statement by Directors Pursuant to Section 169(15) of the Companies Act, 1965

The Directors of Chemical Company of Malaysia Berhad present their forty-seventh annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2008. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 11 June 2009.

Principal Activities

Chemical Company of Malaysia Berhad is an investment holding and management company with subsidiaries engaged in the manufacturing, marketing and/or supply of fertilizers, chemicals and pharmaceutical products and services as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

(RM'000)	Group	Company
Profit attributable to:		
Shareholders of the Company	65,026	44,407
Minority interest	20,475	-
	85,501	44,407

Reserves and Provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid:

i. a final ordinary dividend of 10.00 sen per ordinary share less tax at 26% totalling RM29,582,844 (7.40 sen net per ordinary share), in respect of the financial year ended 31 December 2007 on 20 June 2008; and

ii. an interim ordinary dividend of 8.00 sen per ordinary share less tax at 26% totalling RM23,671,200 (5.90 sen net per ordinary share) in respect of the financial year ended 31 December 2008 on 5 November 2008.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2008 is 1.80 sen per ordinary share less tax at 25% (1.35 sen net per ordinary shares) and 4.85 sen per ordinary share, exempt dividends, which if approved, will be paid on 23 July 2009 to shareholders registered at the close of business on 9 July 2009.

Directors of the Company

Directors who served since the date of the last report are :

- Tan Sri Ab. Rahman bin Omar **(Chairman)**
- Dato' Dr. Mohamad Hashim bin Ahmad Tajudin **(Group Managing Director)**
- Dato' N. Sadasivan
- E. Sreesanthan
- Dato' Kalsom binti Abdul Rahman
- Jamiah binti Abdul Hamid
- Abdul Rahim bin Abdul Hamid
- Tan Sri Dato' Dr Abu Bakar bin Suleiman
- Datuk Dr. Saharan bin Haji Anang
  (appointed on 1/1/2009)
- Tan Sri Dato' Dr Mohamed Yusof bin Hashim
  (resigned on 9/12/2008)

Directors' Interests

The interest and deemed interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1/1/2008	Bought	Sold	At 31/12/2008
Dato' N. Sadasivan				
Interest in the Company:				
• Own	200,000	-	-	200,000
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin				
Interest in CCM Duopharma Biotech Berhad				
• Own	5,000	10,000	-	15,000
Tan Sri Dato' Dr. Abu Bakar bin Suleiman				
Interest in CCM Duopharma Biotech Berhad				
• Own	286,400	-	-	286,400
• Others*	11,000	-	-	11,000
	Number of warrants (B) of RM1.36 each			
Dato N. Sadasivan				
Interest in the Company				
• Own	50,000	-	-	50,000

* Zufar Suleiman bin Abu Bakar, is the son of Tan Sri Dato' Dr. Abu Bakar bin Suleiman. In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests and deemed interests of Zufar Suleiman in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) shall be treated as the interests of Tan Sri Dato' Dr. Abu Bakar bin Suleiman also.

By virtue of his interests in the shares of the Company, Dato' N. Sadasivan is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Chemical Company of Malaysia Berhad has an interest.

None of the other Directors holding office at 31 December 2008 had any interest in the ordinary shares of the Company and of its related companies during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a corporation in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of Shares and Debentures

During the financial year, the Company issued 286,000 ordinary shares of RM1 each at par for cash arising from conversion of 286,000 Warrants-B on the basis of one ordinary shares at the price of RM1.36 per ordinary share for every warrant held.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the year.

Options Granted Over Unissued Shares/Warrants

No options were granted to any person to take up unissued shares or warrants of the Company during the financial year apart from the issue of warrants pursuant to 3% Fixed Rate Bonds with Warrants issue 2002/2009.

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 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.

Other Statutory Information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i. all known bad debts have been written off and adequate provision made for doubtful debts, and

ii. all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i. that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii. that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv. not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i. any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii. any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

The Directors of Chemical Company of Malaysia Berhad are of the opinion that the financial statement set out on pages 064 to 120 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flow for the year ended.

Holding Company

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

Subsequent Event

On 23 April 2008, the Company entered into a Shares Sale Agreement to acquire the following companies from Paramount Discovery Sdn Bhd ("PDSB") for an aggregate purchase consideration of RM126,900,000 to be satisfied by cash:

a. 480,000 ordinary shares of RM1.00 each in Innovative Polymer Systems Sdn Bhd ("IPSSB");

b. 99,999 ordinary shares of RM1.00 each in Innovative Resins Sdn Bhd ("IRSB"); and

c. 1,000 ordinary shares of RM1.00 each in Delta Polymer Systems Sdn Bhd ("DPSSB")

Pursuant to a completion audit, the purchase consideration was revised to RM122,733,000. The acquisition were completed on 20 January 2009.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Ab. Rahman bin Omar

Dato' Dr. Mohamad Hashim bin Ahmad Tajudin

Kuala Lumpur,
27 March 2009

Independent Auditors' Report to the members of Chemical Company of Malaysia Berhad

Report on the Financial Statements

We have audited the financial statements of Chemical Company of Malaysia Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 064 to 119.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a. In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b. We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 7 to the financial statements. We have also considered the unaudited financial statements of CCM Investment Limited.

c. We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d. The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG	**Hasman Yusri Yusoff**
Firm number:	Approval number:
AF 0758	2583/08/10(J)
Chartered Accountants	Chartered Accountant

Petaling Jaya,
27 March 2009

Balance Sheets at 31 December 2008

(RM'000)	Note	Group 2008	Group 2007	Company 2008	Company 2007
Assets					
Property, plant and equipment	3	388,540	300,193	20,392	19,089
Intangible assets	4	234,054	212,192	63	63
Prepaid lease payments	5	129,308	116,287	-	-
Investment properties	6	72,724	74,928	160,313	156,213
Investment in subsidiaries	7	-	-	205,408	162,375
Investment in associate	8	7,196	5,230	-	-
Other investments	9	7,073	9,089	-	92
Development expenditure	10	-	-	-	-
Deferred tax assets	11	4,324	3,266	-	679
Total non-current assets		843,219	721,185	386,176	338,511
Receivables, deposits and prepayments	12	569,901	317,804	871,984	568,539
Inventories	13	514,455	237,740	-	-
Current tax assets		31,865	15,538	16,640	13,052
Assets classified as held for sale	14	8,131	-	-	-
Cash and cash equivalents	15	155,483	193,490	85,846	116,856
Total current assets		1,279,835	764,572	974,470	698,447
Total assets		2,123,054	1,485,757	1,360,646	1,036,958
Equity					
Share capital		402,849	402,563	402,849	402,563
Reserves		30,046	33,517	17,234	17,131
Retained earnings		314,621	302,476	262,066	270,913
Total equity attributable to equity holders of the Company		747,516	738,556	682,149	690,607
Minority interest		111,075	99,856	-	-
Total equity	16	858,591	838,412	682,149	690,607
Liabilities					
Loans and borrowings	17	187,120	270,000	185,000	270,000
Deferred tax liabilities	11	33,468	39,605	18,109	18,788
Total non-current liabilities		220,588	309,605	203,109	288,788
Provisions	18	656	24	-	-
Payables and accruals	19	303,246	161,732	50,750	37,563
Current tax liabilities		14,078	3,194	4,638	-
Loans and borrowings	17	725,895	172,790	420,000	20,000
Total current liabilities		1,043,875	337,740	475,388	57,563
Total liabilities		1,264,463	647,345	678,497	346,351
Total equity and liabilities		2,123,054	1,485,757	1,360,646	1,036,958

The notes on pages 064 to 119 are an integral part of these financial statements.

Income Statements for the year ended 31 December 2008

(RM'000)	Note	Group 2008	Group 2007	Company 2008	Company 2007
Revenue	20	2,165,459	1,397,268	4,530	4,695
Cost of goods sold		(1,865,590)	(1,186,731)	(1,086)	(1,631)
Gross profit		299,869	210,537	3,444	3,064
Other income		6,703	19,643	61,023	94,223
Distribution expenses		(40,524)	(21,530)	-	-
Administrative expenses		(76,984)	(66,234)	(9,499)	(3,915)
Other expenses		(47,844)	(30,278)	(2,461)	(12,644)
Results from operating activities		141,220	112,138	52,507	80,728
Interest income		2,740	7,460	11,313	5,515
Finance costs		(25,658)	(15,706)	(14,775)	(10,368)
Operating profit	21	118,302	103,892	49,045	75,875
Share of profit after tax and minority interest of equity accounted associate		1,966	1,659	-	-
Profit before tax		120,268	105,551	49,045	75,875
Tax expense	23	(34,767)	(21,952)	(4,638)	(15,505)
Profit for the year		85,501	83,599	44,407	60,370
Attributable to:					
Equity holders of the Company		65,026	62,718	44,407	60,370
Minority interest		20,475	20,881	-	-
Profit for the year		85,501	83,599	44,407	60,370
Basic earnings per ordinary share (sen)	24	16.1	15.7		
Diluted earnings per ordinary share (sen)	24	14.5	14.1		

The notes on pages 064 to 119 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2008

		Attributable to equity			
		Non-distributable			
(RM'000)	Note	Share capital	Share premium	Capital redemption reserve	Translation reserve
Group					
At 1 January 2007		392,977	16,675	73	(1,162)
Foreign exchange translation differences		-	-	-	(8,087)
Realisation of revaluation reserve on disposal of property		-	-	-	-
Realisation of revaluation reserve on landed property		-	-	-	-
Net gains recognised directly in equity		-	-	-	(8,087)
Profit for the year		-	-	-	-
Total recognised income and expense for the year		-	-	-	(8,087)
Issue of shares:					
Exercise of shares options		608	222	-	-
Conversion of warrants		8,978	3,232	-	-
Dividends to shareholders	25	-	-	-	-
Dividends to minority interest		-	-	-	-
At 31 December 2007		402,563	20,129	73	(9,249)
Foreign exchange translation differences		-	-	-	(3,190)
Realisation of revaluation reserve on landed property		-	-	-	-
Net gains recognised directly in equity		-	-	-	(3,190)
Profit for the year		-	-	-	-
Total recognised income and expense for the year		-	-	-	(3,190)
Issue of shares:					
Conversion of warrants		286	92	-	-
Dividends to shareholders	25	-	-	-	-
Dividends to minority interest		-	-	-	-
Acquisition of subsidiary		-	-	-	-
At 31 December 2008		402,849	20,221	73	(12,439)
		Note 16		Note 16	Note 16

holders of the Company						
			Distributable			
Revaluation reserve	Other capital reserve	Treasury shares	Retained earnings	Total	Minority interest	Total equity
43,646	2,982	(5,836)	289,106	738,461	99,590	838,051
-	-	-	-	(8,087)	-	(8,087)
(17,855)	-	-	17,855	-	-	-
(373)	-	-	16	(357)	-	(357)
(18,228)	-	-	17,871	(8,444)	-	(8,444)
-	-	-	62,718	62,718	20,881	83,599
(18,228)	-	-	80,589	54,274	20,881	75,155
-	-	-	-	830	-	830
-	-	-	-	12,210	-	12,210
-	-	-	(67,219)	(67,219)	-	(67,219)
-	-	-	-	-	(20,615)	(20,615)
25,418	2,982	(5,836)	302,476	738,556	99,856	838,412
-	-	-	-	(3,190)	-	(3,190)
(373)	-	-	373	-	-	-
(373)	-	-	373	(3,190)	-	(3,190)
-	-	-	65,026	65,026	20,475	85,501
(373)	-	-	65,399	61,836	20,475	82,311
-	-	-	-	378	11	389
-	-	-	(53,254)	(53,254)	-	(53,254)
-	-	-	-	-	(10,009)	(10,009)
-	-	-	-	-	742	742
25,045	2,982	(5,836)	314,621	747,516	111,075	858,591
Note 16	Note 16	Note 16				

Statement of Changes in Equity for the year ended 31 December 2008

(RM'000)	Note	Non-distributable: Share capital	Share premium	Capital redemption reserve	Revaluation reserve	Treasury shares	Distributable: Retained earnings	Total equity
Company								
At 1 January 2007		392,977	16,664	73	20,631	(5,836)	259,907	684,416
Profit for the year		-	-	-	-	-	60,370	60,370
Issue of shares:								
Exercise of share options		608	222	-	-	-	-	830
Conversion of warrants		8,978	3,232	-	-	-	-	12,210
Realisation of revaluation reserve on disposal of property		-	-	-	(17,855)	-	17,855	-
Dividends to shareholders	25	-	-	-	-	-	(67,219)	(67,219)
At 31 December 2007		402,563	20,118	73	2,776	(5,836)	270,913	690,607
At 1 January 2008		402,563	20,118	73	2,776	(5,836)	270,913	690,607
Profit for the year		-	-	-	-	-	44,407	44,407
Issue of shares:								
Conversion of warrants		286	103	-	-	-	-	389
Realisation of revaluation reserve on disposal of property								
Dividends to shareholders	25	-	-	-	-	-	(53,254)	(53,254)
At 31 December 2008		402,849	20,221	73	2,776	(5,836)	262,066	682,149

The notes on pages 064 to 119 are an integral part of these financial statements.

Cash Flow Statements for the year ended 31 December 2008

(RM'000)	Note	Group 2008	Group 2007	Company 2008	Company 2007
Cash flows from operating activities					
Profit before tax		120,268	105,551	49,045	75,875
Adjustments for:					
Amortisation of prepaid lease payments		2,370	2,327	-	-
Change in fair value of investment properties		(5,559)	(8,343)	(3,917)	(6,006)
Depreciation of property, plant and equipment	3	35,655	30,449	1,210	807
Dividend income		-	-	(53,681)	(81,636)
Gain on disposal of asset held for sale		-	(3,910)	-	(3,910)
Interest income		(2,740)	(7,460)	(11,313)	(5,264)
Interest expenses		25,658	15,706	14,775	10,117
Loss on disposal of investment properties		-	75	-	75
Loss on disposal of property, plant and equipment		1	193	-	287
Realisation of revaluation reserve on disposal of properties		-	(357)	-	-
Share of profit of equity accounted associate		(1,966)	(1,659)	-	-
Translation adjustment for prepaid lease payment		-	993	-	-
Translation adjustment		-	(8,087)	-	-
Write-off of property, plant and equipment		11,883	54	-	-
Write-off of investment		-	176	-	-
Operating profit/(loss) before working capital		185,570	125,708	(3,881)	(9,655)
Changes in working capital:					
Inventories		(275,398)	(34,664)	-	-
Payables and accruals		136,154	(9,053)	13,187	(9,658)
Receivables, deposits and prepayments		(232,454)	(36,718)	(303,445)	(39,890)
Cash (used in)/generated from operations		(186,128)	45,273	(294,139)	(59,203)
Interest received		2,740	7,460	11,313	5,515
Interest paid		(25,658)	(15,706)	(14,775)	(10,368)
Income taxes paid		(47,405)	(20,648)	(3,588)	(22,624)
Net cash (used in)/from operating activities		(256,451)	16,379	(301,189)	(86,680)

Cash Flow Statements for the year ended 31 December 2008 (cont.)

		Group		Company	
(RM'000)	Note	2008	2007	2008	2007
Cash flows from investing activities					
Acquisition of intangible assets		-	(4,000)	-	-
Acquisition of investment properties		(368)	(413)	(183)	(413)
Acquisition of property, plant and equipment	3	(128,860)	(87,805)	(2,513)	(1,344)
Acquisition of prepaid lease payments		(8,699)	(342)	-	-
Acquisition of subsidiaries, net of cash acquired		(33,734)	-	(43,033)	-
Dividends received from subsidiaries		-	-	53,681	81,636
Dividends received from associate		-	135	-	-
Increase in investment in subsidiaries		-	-	-	(500)
Proceeds from disposal of property, plant and equipment		233	378	-	27
Proceeds from disposal of asset held for sale		-	26,680	-	26,680
Proceeds from disposal of commercial papers		92	-	92	-
Net cash (used in)/from investing activities		(171,336)	(65,367)	8,044	106,086
Cash flows from financing activities					
Dividends paid to minority shareholders		(10,009)	(20,615)	-	-
Dividends paid to shareholders of the Company	25	(53,254)	(67,219)	(53,254)	(67,219)
Proceeds from loans and borrowings		643,015	18,858	335,000	-
Proceeds from exercise of ESOS		-	830	-	830
Proceeds from exercise of warrants		389	12,210	389	12,210
Repayment of loans and borrowings		(190,361)	-	(20,000)	(10,000)
Net cash from/(used in) financing activities		389,780	(55,936)	262,135	(64,179)
Net decrease in cash and cash equivalents		(38,007)	(104,924)	(31,010)	(44,773)
Cash and cash equivalents at 1 January	i.	193,490	298,414	116,856	161,629
Cash and cash equivalents at 31 December	i.	155,483	193,490	85,846	116,856

Cash and Cash Equivalents

i. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

		Group		Company	
(RM'000)	Note	2008	2007	2008	2007
Cash and bank balances		49,604	75,524	2,366	1,456
Deposits with licensed banks		105,879	117,966	83,480	115,400
		155,483	193,490	85,846	116,856

The notes on pages 064 to 119 are an integral part of these financial statements.

Notes to the Financial Statements

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 are 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 2008 comprise the Company and its subsidiaries and the Group's interest in an associate. The financial statements of the Company as at and for the year ended 31 December 2008 do not include other entities.

Chemical Company of Malaysia Berhad is an investment holding and management company with subsidiaries and an associate company engaged in the manufacturing, marketing and/or supply 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 27 March 2009.

1. Basis of Preparation

a. Statement of Compliance

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

The Group and the Company have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective date
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segment	1 July 2009
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company plan to apply the above-mentioned FRSs /Interpretations from the annual period beginning 1 January 2010.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. Other than the implications as discussed below, the initial application of the above standards (and its consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

FRS 8 will become effective for financial statements for the year ending 31 December 2010. FRS 8, which replaces FRS 114, *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see note 26). Under FRS 8, the Group will present segment information in respect of its operating segments: fertilizers, chemicals, pharmaceuticals and investment holdings.

b. Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities as explained in their respective accounting policy notes:

- Property, plant and equipment
- Investment properties
- Non-current assets held for sale

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 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

- Note 4 - measurement of the recoverable amounts of cash-generating units
- Note 6 - valuation of investment properties
- Note 11 - recognition of unutilised tax losses and capital allowances
- Note 18 - provisions and contingencies

2. Significant Accounting Policies

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

a. Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities, including 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.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale.

ii. Associates

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

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit and loss of the equity accounted associates, after adjustments 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 equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil 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 stated in the Company's balance sheet at cost less impairment losses unless it is classified as held for sale.

iii. Changes in Group Composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When the group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the

iii. Changes in Group Composition (cont.)

Group's interest in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv. Minority Interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investments to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

v. Transactions Eliminated on Consolidation

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

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 transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

ii. Operations Denominated in Functional Currencies Other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments, are translated to RM at exchange rates at the balance sheet date.

The income and expenses of operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

iii. Net Investment in Foreign Operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated income statement upon disposal of the investment.

c. Property, Plant and Equipment

i. Recognition and Measurement

Items of property, plant and equipment are stated at cost/valuation less accumulated depreciation and 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.

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 charged to the income statement.

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 and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that 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 on the date of 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, 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 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

ii. Reclassification to Investment Property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statement.

iii. 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 and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

iv. Depreciation

Depreciation is recognised in the income statement 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.

iv. Depreciation (cont.)

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

• 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 reassessed at the balance sheet date.

d. Leased Assets

i. Finance Lease

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

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

ii. Operating Lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appeciation or both, is classified as investment property.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the leasee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments, except for leasehold land classified as investment property.

Certain leasehold land were revalued in 24 November 2005 and the Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117, Leases in 2007.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

e. Intangible Assets

i. Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

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.

For business acquisitions beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

ii. Marketing Rights

Marketing rights acquired via a purchase consideration are carried at the original cost of purchase and amortised over the period that the rights subsist. Where such rights are continuing over an indefinite period (subject only to revocation or termination by the principal at a non-predeterminable date), they are

ii. Marketing Rights (cont.)

carried at cost and reviewed and adjusted annually for any impairment.

iii. Brand Names

Brand name is stated at cost less accumulated impairment losses, if any. Brand name has an indefinite uselife as it is maintain through continuous marketing and upgrading.

iv. Other Intangible Assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and/or accumulated impairment losses.

v. Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

vi. Amortisation

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and there is an indication that they may be impaired. Intangible asset with indefinite useful life is brand name.

Other intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets is charged to the income statements on a straight-line basis over the estimated useful lives of intangible assets.

f. Investment Property

i. Investment Property Carried at Fair Value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statement.

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 directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statements. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statements.

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 every year, 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, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the types 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

iii. Determination of Fair Value (cont.)
that all notices and where appropriate counter-notices have been served validly and within the appropriate time. Significant assumptions in arriving at the fair value of investment properties are disclosed in note 6.

g. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In case of finished goods, costs includes an approprate 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 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.

h. Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

i. Non-current Assets Held for Sale

Non-current assets 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 are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held or sale and subsequent gains or losses on remeasurement are recognised in the income statements. Gains are not recognised in excess of any cumulative impairment loss.

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 profits recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of receivables, deposits and repayments in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

k. Cash and Cash Equivalents

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

l. Impairment of Assets

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

l. Impairment of Assets (cont.)

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. 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of 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 each reporting date 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. 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 the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

m. Equity Instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

i. Issue Expenses

Incremental costs directly attributable to issue of equity instruments 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, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total 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. Loans and Borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

o. Employee Benefits

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 provision 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.

o. Employee Benefits (cont.)

The Group's contribution to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligation.

p. 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.

i. Warranties

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

ii. 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.

q. Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

r. Revenue Recognition

i. Goods Sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, 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.

ii. Services

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

iii. Construction Contracts

As soon as a outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statements in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contracts plus any variations in contracts work, claims and incentives payments to the extent that it is propable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a constuction 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 the income statements.

iv. Rental Income

Rental income from investment property is recognised in the income statement 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.

r. Revenue Recognition (cont.)

v. **Dividend Income**

Dividend income is recognised when the right to receive payment is established.

s. Interest Income and Borrowing Costs

Interest income is recognised as accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

t. Tax Expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that is relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax 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 balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

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

v. Segment Reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, Plant and Equipment

(RM'000)	Freehold land	Freehold buildings	Long term leasehold buildings
Group			
Cost/Valuation			
At 1 January 2007	25,294	23,966	44,715
Additions	7,691	12,739	8,656
Reclassification from investment properties	-	355	-
Disposals	-	-	-
Write-off	-	-	-
At 31 December 2007/1 January 2008	32,985	37,060	53,371
Additions	480	4,929	174
Acquisition through business combination	-	-	4,902
Reclassification	-	464	54,765
Disposals	-	-	-
Write-off	-	-	-
At 31 December 2008	33,465	42,453	113,212
Depreciation			
At 1 January 2007	-	615	1,602
Depreciation for the year	-	695	1,558
Disposals	-	-	-
Write-off	-	-	-
At 31 December 2007/1 January 2008	-	1,310	3,160
Depreciation for the year	-	1,186	2,563
Disposals	-	-	-
Write-off	-	-	-
At 31 December 2008	-	2,496	5,723
Carrying amounts			
At 1 January 2007	25,294	23,351	43,113
At 31 December 2007/1 January 2008	32,985	35,750	50,211
At 31 December 2008	33,465	39,957	107,489

Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
367	449,980	32,472	576,794
-	32,507	26,212	87,805
-	-	-	355
-	(2,867)	-	(2,867)
-	(103)	-	(103)
367	479,517	58,684	661,984
-	102,466	20,811	128,860
-	2,357	-	7,259
-	10,404	(65,633)	-
-	(1,460)	-	(1,460)
-	(58,768)	-	(58,768)
367	534,516	13,862	737,875
223	331,247	-	333,687
26	28,170	-	30,449
-	(2,296)	-	(2,296)
-	(49)	-	(49)
249	357,072	-	361,791
26	31,880	-	35,655
-	(1,226)	-	(1,226)
-	(46,885)	-	(46,885)
275	340,841	-	349,335
144	118,733	32,472	243,107
118	122,445	58,684	300,193
92	193,675	13,862	388,540

3. Property, Plant and Equipment (cont.)

(RM'000)	Freehold land	Freehold buildings	Plant, machinery and equipment	Total
Company				
Cost/Valuation				
At 1 January 2007	15,400	601	6,459	22,460
Additions	-	22	1,322	1,344
Disposals	-	-	(920)	(920)
At 31 December 2007/1 January 2008	15,400	623	6,861	22,884
Additions	-	-	2,513	2,513
Disposals	-	-	(2)	(2)
At 31 December 2008	15,400	623	9,372	25,395
Depreciation				
At 1 January 2007	-	-	3,594	3,594
Depreciation for the year	-	24	783	807
Disposals	-	-	(606)	(606)
At 31 December 2007/1 January 2008	-	24	3,771	3,795
Depreciation for the year	-	12	1,198	1,210
Disposals	-	-	(2)	(2)
At 31 December 2008	-	36	4,967	5,003
Carrying amounts				
At 1 January 2007	15,400	601	2,865	18,866
At 31 December 2007/1 January 2008	15,400	599	3,090	19,089
At 31 December 2008	15,400	587	4,405	20,392

Property, Plant and Equipment Under Construction

During the year ended 31 December 2008 the Group incurred the following:

i. construction of a new building and installation of new plant machinery for manufacturing of a wide range of fertilizers; costs incurred up to the balance sheet date totalled RM8,679,000 (2007 - RM23,201,000).

ii. installation of new plant machinery for manufacturing of a wide range of pharmaceutical products; costs incurred up to the balance sheet date totalled RM5,183,000 (2007 - RM35,019,000).

Property, Plant and Equipment Under the Revaluation Model

The Group's freehold land and buildings were revalued in November 2005 by independent professional qualified valuers using an open market value method.

Had the land and buildings been carried under the cost model, their carrying amounts would be as follow:

	Group		Company	
(RM'000)	2008	2007	2008	2007
Freehold land and buildings	75,853	38,941	2,887	2,997

4. Intangible Assets

(RM'000)	Goodwill	Marketing rights	Trademark	Brands	Total
Group					
Cost					
At 1 January 2007	191,158	16,971	63	-	208,192
Acquisition during the year	-	-	-	4,000	4,000
At 31 December 2007/1 January 2008	191,158	16,971	63	4,000	212,192
Acquisition through business combinations	21,480	-	-	-	21,480
Effect of movement in exchange rates	-	382	-	-	382
At 31 December 2008	212,638	17,353	63	4,000	234,054
Amortisation and impairment loss					
At 1 January 2007/At 31 December 2007 /1 January 2008/At 31 December 2008	-	-	-	-	-
Carrying amounts					
At 1 January 2007	191,158	16,971	63	-	208,192
At 31 December 2007/1 January 2008	191,158	16,971	63	4,000	212,192
At 31 December 2008	212,638	17,353	63	4,000	234,054

(RM'000)	Trademark
Company	
Cost	
At 1 January 2007/At 31 December 2007 /1 January 2008/At 31 December 2008	63
Amortisation and impairment losses	
At 1 January 2007/At 31 December 2007 /1 January 2008/At 31 December 2008	-
Carrying amounts	
At 1 January 2007/At 31 December 2007 /1 January 2008/At 31 Decmber 2008	63

4.1 Material Intangible Assets

Goodwill

The carrying amount of the goodwill of a subsidiary in pharmaceutical and chemicals segment, arising from acquisition through business combination, was assessed for impairment during the year.

The Group does not identify fair values of intangible assets included in goodwill as the intangible assets arose from legal or contractual rights which cannot be measured reliably.

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, all products developed by Synergy America, Inc., a company incorporated in 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 products. 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 an 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 are able to generate such income in the near future based on the Group's projected cash flows. 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

The amortisation and impairment is allocated and recognised in the cost of sales as amortisation cost and impairment loss. However, there are no amortisation and impairment recognised during the year.

4.3 Impairment Testing for Cash-generating Units Containing Goodwill and Brands

The recoverable amount of the goodwill arising from consolidations and brand were based on value in use of the investment in the respective subsidiaries ("the subsidiaries") and the operations of the products relate to the brand acquired ("the operations"), respectively. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

The value in use was determined by discounting the future cash flows of the subsidiaries and the operations and were based on the following key assumptions:

a. an estimate of the future cash flows projections of the subsidiaries and the operations expects to derive;

b. the subsidiaries and the operations will continue its operations indefinitely;

c. the size of operation will remain with at least not lower than the current results.

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

No impairment loss is recognised during the year as the Group and the Company is of the opinion that the amount can be recoverable from the operation of the subsidiaries and products relate to the brand acquired in near future.

5. Prepaid Lease Payments

(RM'000)	Unexpired period less than 50 years	Unexpired period more than 50 years	Total
Group			
Cost/Valuation			
At 1 January 2007	23,975	85,741	109,716
Additions	-	342	342
Transfer from investment properties	9,996	-	9,996
Effect of movements in exchange rates	(993)	-	(993)
At 31 December 2007/1 January 2008	32,978	86,083	119,061
Additions	-	8,699	8,699
Acquisition through business combination	-	7,765	7,765
Effect of movements in exchange rates	(893)	-	(893)
At 31 December 2008	32,085	102,547	134,632
Amortisation			
At 1 January 2007	447	-	447
Amortisation for the year	945	1,382	2,327
At 31 December 2007/1 January 2008	1,392	1,382	2,774
Acquisition through business combinations	-	180	180
Amortisation for the year	851	1,519	2,370
At 31 December 2008	2,243	3,081	5,324
Carrying amounts			
At 1 January 2007	23,528	85,741	109,269
At 31 December 2007/1 January 2008	31,586	84,701	116,287
At 31 December 2008	29,842	99,466	129,308

6. Investment Properties

(RM'000)	Group 2008	Group 2007	Company 2008	Company 2007
At 1 January	74,928	76,598	156,213	149,869
Additions	368	413	183	413
Disposals	-	(75)	-	(75)
Reclassification to prepaid lease payment	-	(9,996)	-	-
Reclassification to property, plant and equipment	-	(355)	-	-
Reclassification to assets held for sale	(8,131)	-	-	-
Change in fair value	5,559	8,343	3,917	6,006
At 31 December	72,724	74,928	160,313	156,213
Included in the above are:				
Freehold land	22,846	22,087	25,132	25,705
Leasehold land with unexpired lease period of less than 50 years	3,200	3,200	-	-
Leasehold land with unexpired lease period of more than 50 years	45,102	48,641	121,059	116,525
Buildings	1,576	1,000	14,122	13,983
At 31 December	72,724	74,928	160,313	156,213

All the investment properties are determined based on market values.

Investment properties of the Group and of the Company comprise a number of commercial properties that are leased to third party and subsidiaries. No contingent rents are charged.

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	4.19% - 5.65%
Residential house	0.3%

7. Investment in Subsidiaries

(RM'000)	Company 2008	Company 2007
At cost:		
Unquoted shares	209,608	166,575
Less: Impairment loss	(4,200)	(4,200)
	205,408	162,375

Details of the subsidiaries are as follows:

Name of subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest (%) 2008	Effective ownership interest (%) 2007
CCM Fertilizers Sdn Bhd and its subsidiaries:		Malaysia	Manufacture and marketing of fertilizers	50.1	50.1

7. Investment in Subsidiaries (cont.)

Name of subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest (%) 2008	2007
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 products 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 products and chemicals	80.0	80.0
CCM Chemtrans Sdn Bhd		Malaysia	Dormant	80.0	80.0
PT CCM Indonesia*		Indonesia	Marketing of chemicals	80.0	80.0
CCM Chemtrade Sdn Bhd		Malaysia	Dormant	80.0	80.0
CCM Pharma Sdn Bhd		Malaysia	Dormant	100.0	100.0
Innovax Sdn Bhd		Malaysia	Research and development of pharmaceutical products	100.0	100.0
Usaha Pharma (M) Sdn Bhd		Malaysia	Dormant	100.0	100.0
CCM Agriculture (Sabah) Sdn Bhd		Malaysia	Investment holding	100.0	100.0
CCM Agriculture Sdn Bhd		Malaysia	Investment holding	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 pharmaceuticals products	100.0	100.0
P.T. CCM AgriPharma*		Indonesia	Importing and trading of fertilizers and pharmaceuticals 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, trading and marketing of pharmaceuticals products	100.0	100.0

7. Investment in Subsidiaries (cont.)

Name of subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest (%) 2008	2007
CCM Duopharma Biotech Berhad and its subsidiary:		Malaysia	Investment holding	73.7	73.4
Duopharma (M) Sdn Bhd		Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	73.7	73.4
Euphorex Corporation Sdn Bhd		Malaysia	Investment holding	100.0	100.0
Liberal Wira Sdn Bhd		Malaysia	Investment holding	100.0	100.0
Usaha Progresif Sdn Bhd		Malaysia	Investment holding	100.0	100.0
Upha Pharmaceutical Manufacturing (M) Sdn Bhd		Malaysia	Manufacture of pharmaceutical products and sales of medicine	100.0	100.0
CCM Pharmaceuticals Sdn Bhd and its subsidiaries:		Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
Ho Han Medical Company Sdn Bhd		Malaysia	Manufacture and marketing of pharmaceutical and healthcare products	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 (formerly known as Usaha Kimia (M) Sdn Bhd) and its subsidiary:		Malaysia	Marketing of chlor-alkali and chemical products	100.0	100.0

7. Investment in Subsidiaries (cont.)

Name of subsidiaries	Note of incorporation	Country activities	Principal ownership interest (%)	Effective	
				2008	2007
CCM Water Systems Sdn Bhd* (formerly known as Enersave Water Sdn Bhd)	31	Malaysia	Designing, manufacturing, installing, commissioning and providing maintenance services for water purification and waste water treatment plant systems and sale of its related products	95.7	-
CCM Investments Limited** and its subsidiary:		British Virgin Islands	Investment holding	100.0	100.0
CCM International (Philippines), Inc.*		Republic of Philippines	Distribution, importing and exporting of pharmaceuticals, chemicals and fertilizers product	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

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

On 2 June 2008 , the Company acquired 300,000 ordinary shares of RM1.00 each in CCM International Sdn Bhd from CCM Marketing Sdn Bhd for RM40,477,149 satisfied in cash.

On 27 June 2008, the Company acquired 300,000 ordinary shares of RM1.00 each in CCM Agriculture Sdn Bhd, from CCM Marketing Sdn Bhd for RM2,555,066 satisfied in cash.

Accordingly, both CCM International Sdn Bhd and CCM Agriculture Sdn Bhd become a wholly-owned subsidiaries of the Company.

No impact to the Group as acquisitions and disposals were within the Group.

8. Investment in Associate

(RM'000)	Group 2008	Group 2007	Company 2008	Company 2007
At cost:				
Unquoted shares	1,408	1,408	-	-
Share of post acquisition reserves	5,788	3,822	-	-
	7,196	5,230	-	-

	Country of incorporation	Effective ownership interest	Revenue (100%)	Profit/(Loss) (100%)	Total assets (100%)	Total liabilities (100%)
2008						
Orica-CCM Energy Systems Sdn Bhd	Malaysia	45.0%	29,968	5,905	23,370	7,537
2007						
Orica-CCM Energy Systems Sdn Bhd	Malaysia	45.0%	23,867	5,049	13,917	3,885

9. Other Investments

(RM'000)	Group 2008	Group 2007	Company 2008	Company 2007
Non-current				
At cost:				
Quoted shares - outside Malaysia	7,073	7,753	-	-
Unquoted shares	-	1,244	-	-
Commercial papers	-	92	-	92
	7,073	9,089	-	92
Market value:				
• Quoted shares outside Malaysia	25,894	8,046	-	-
• Commercial papers	-	94	-	94

Details of disposed investments stated at cost are as follows:

(RM'000)	Group 2008	Group 2007	Company 2008	Company 2007
Proceeds from disposal	92	-	92	-
Carrying amount of investments disposed	92	-	92	-
Gain on disposal of investments	-	-	-	-

10. Development Expenditure

(RM'000)	Group and Company 2008	2007
Cost		
At 1 January/31 December	5,239	5,239
Accumulated amortisation		
At 1 January/31 December	5,239	5,239
Carrying amount		
At 31 December	-	-

11. Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
(RM'000)	2008	2007	2008	2007	2008	2007
Group						
Property, plant and equipment	-	396	27,700	38,824	27,700	39,220
Provisions	(3,123)	(2,301)	9,571	(361)	6,448	(2,662)
Other temporary difference	(2,533)	(352)	1,311	1,220	(1,222)	868
Tax losses carried forward	(1,206)	(1,009)	(2,576)	(78)	(3,782)	(1,087)
Tax (assets)/liabilities	(6,862)	(3,266)	36,006	39,605	29,144	36,339
Set off	2,538	-	(2,538)	-	-	-
Net tax (assets)/liabilities	(4,324)	(3,266)	33,468	39,605	29,144	36,339
Company						
Property, plant and equipment	-	(102)	3,109	17,363	3,109	17,261
Provisions	(392)	(577)	-	-	(392)	(577)
Other temporary difference	-	-	15,392	1,425	15,392	1,425
Net tax (assets)/liabilities	(392)	(679)	18,501	18,788	18,109	18,109

11. Deferred Tax Assets and Liabilities (cont.)

Unrecognised Deferred Tax Assets

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

(RM'000)	Group 2008	Group 2007
Tax losses carried forward	(15,068)	(24,060)
Other deductible temporary differences	4,145	(4,770)
	(10,923)	(28,830)

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50% - applicable for dormant subsidiaries only). If there is substantial change in shareholders (more than 50% - applicable for dormant subsidiaries only), unutilised tax losses carried forward and unutilised capital allowances carried forward amounting to RM15,068,000 and RM1,572,000 will not be available to the Group. 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

(RM'000)	At 1/1/2007	Recognised in income statement (Note 23)	At 31/12/2007	Recognised in income statement (Note 23)	At 31/12/2008
Group					
Property, plant and equipment	42,250	(3,030)	39,220	(11,520)	27,700
Provisions	(2,953)	291	(2,662)	9,110	6,448
Other items	(587)	1,455	868	(2,090)	(1,222)
Tax loss carried-forward	(1,348)	261	(1,087)	(2,695)	(3,782)
	37,362	(1,023)	36,339	(7,195)	29,144
Company					
Property, plant and equipment	21,898	(4,637)	17,261	(14,152)	3,109
Provisions	(263)	(314)	(577)	185	(392)
Other items	53	1,372	1,425	13,967	15,392
	21,688	(3,579)	18,109	-	18,109

Movements in Unrecognised Deferred Tax Assets During the Year

(RM'000)	At 1/1/2007	Additions	Recognition	At 31/12/2007	Additions	Recognition	At 31/12/2008
Group							
Tax losses carried forward	(23,388)	(672)	-	(24,060)	8,992	-	(15,068)
Other deductible temporary differences	(5,031)	-	261	(4,770)	8,915	-	4,145
	(28,419)	(672)	261	(28,830)	17,907	-	(10,923)

12. Receivables, Deposits and Prepayments

(RM'000)	Note	Group 2008	Group 2007	Company 2008	Company 2007
Current					
Trade					
Trade receivables	a	417,296	309,904	-	-
Less: Allowance for doubtful debts	b	(8,950)	(12,012)	-	-
		408,346	297,892	-	-
Progress billings receivables	c	7,717	-	-	-
Amount due from subsidiaries	d	-	-	-	398,987
Amount due from associate	e	36	36	36	36
		416,099	297,928	36	399,023
Non-trade					
Amount due from subsidiaries	f	-	-	748,468	168,667
Amount due from associate	f	114	117	-	-
Deposits		2,250	2,907	123,328	289
Other receivables		146,331	12,542	72	413
Prepayments		5,107	4,310	80	147
		153,802	19,876	871,948	169,516
		569,901	317,804	871,984	568,539

Note a
Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows:

(RM'000)		Note	Group 2008	Group 2007	Company 2008	Company 2007
Functional currency	**Foreign currency**					
RM	USD		45,199	54,671	-	-
RM	SGD		13,079	8,172	-	-
RM	HKD		389	437	-	-
RM	INR		260	1,179	-	-
RM	BHT		1,449	814	-	-
IDR	USD		-	32,056	-	-
BHT	USD		2,015	176	-	-
BHT	RM		1,452	-	-	-

Note b
The Group's bad debts amounting to RM3,928,000 (2007 - Nil) were written off against allowance for doubtful debts.

12. Receivables, Deposits and Prepayments (cont.)

Note c

Construction Work in Progress

	Group		Company	
(RM'000)	2008	2007	2008	2007
Aggregate costs incurred to date	83,883	-	-	-
Add: Attributable profits	7,365	-	-	-
	91,248	-	-	-
Less: Progress billings	(84,301)	-	-	-
	6,947	-	-	-
Amount due from receivables contracts	7,717	-	-	-
Amount due to payables on contracts	(770)	-	-	-
	6,947	-	-	-

Note d

During the year, the Company wrote off an amount due from a subsidiary amounting to RM900,000 (2007: RM1,251,000).

The receivables due from subsidiaries are subject to normal trade terms.

Note e

The trade receivables due from associates is subject to normal trade terms.

Note f

The non-trade receivables due from subsidiaries and associates are unsecured and interest bearing ranging from 4.08% to 4.77% (2007: interest-free) and repayable on demand.

13. Inventories

	Group	
(RM'000)	2008	2007
Raw materials	73,147	37,702
Work-in-progress	5,505	4,624
Finished goods	420,044	177,562
Spares and consumables	15,757	17,852
	514,453	237,740

In 2008, the write-down of inventories to net realisable value amounted to RM57,655,000 (2007: RM654,000) and write-off of inventories amounted to RM8,473,000 (2007: RM1,709,000). The write-down and write-off are included in cost of sales.

Due to the rapid decline in fertilizers and chemicals prices globally at the end of 2008, the Group wrote down the affected inventories to their net realisable value by RM54,177,000. The write down is included in cost of sales.

14. Assets Classified as Held for Sale

(RM'000)	Group 2008	2007
Reclassified from investment property	8,131	-

15. Cash and Cash Equivalents

(RM'000)	Group 2008	2007	Company 2008	2007
Deposits are placed with:				
Licensed banks	105,879	117,966	83,480	115,400
Cash and bank balances	49,604	75,524	2,366	1,456
	155,483	193,490	85,846	116,856

16. Capital and Reserves

Share Capital

	Group and Company			
	Amount 2008	Number of shares ('000) 2008	Amount 2007	Number of shares ('000) 2007
Authorised:				
Ordinary shares of RM1 each	800,000	800,000	800,000	800,000
Issued and fully paid:				
Ordinary shares of RM1 each				
On issue at 1 January	402,563	402,563	392,977	392,977
Issue of shares under the ESOS	-	-	608	608
Conversion of warrants	286	286	8,978	8,978
On issue at 31 December	402,849	402,849	402,563	402,563

Capital Reserve

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

Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Revaluation Reserve

The revaluation reserve relates to the revaluation of property, prior to its classification on investment property.

16. Capital and Reserves (cont.)

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 and paid up shares since 2003. At 31 December 2008, the Group held 2,998,000 (2007 - 2,998,000) of the Company's shares.

Section 108 Tax Credit of the Company

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income of RM10,204,000 and RM160,118,000, respectively to frank RM170,322,000 of its distributable reserves at 31 December 2008 respectively if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. The introduction of the single tier company income tax system does not have any significant impact to the Company if dividends were to be declared from the tax exempt income.

17. 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.

		Group		Company	
(RM'000)	Note	2008	2007	2008	2007
Non-current					
Unsecured term loan		35,000	70,000	35,000	70,000
Secured term loan		2,120	-	-	-
Unsecured bond issues	a	-	200,000	-	200,000
Unsecured Musyarakah medium term notes	b	150,000	-	150,000	-
		187,120	270,000	185,000	270,000
Current					
Unsecured bank overdrafts		10,302	16,592	-	-
Unsecured bankers' acceptances		202,939	103,115	-	-
Unsecured revolving credits		205,000	31,560	185,000	-
Unsecured foreign currency loan		-	1,523	-	-
Unsecured term loan		107,654	20,000	35,000	20,000
Unsecured bond issues	a	200,000	-	200,000	-
		725,895	172,790	420,000	20,000

Note a
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 B ("warrants B") at 100% of the nominal amount of the Bonds.

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 share, subject to adjustments under certain circumstances in accordance with Deed Poll dated 22 November 2002 commencing on the issue date and ending on the date falling 10 years from the issue date.

17. Loans and Borrowings (unsecured)

Significant Covenants

The unsecured term loan and bond issue are subject to fulfillment of the following significant covenants:

i. maintenance of consolidated shareholders' funds of not less than RM420,000,000;

ii. the ratio of total consolidated liabilities to total consolidated shareholders funds does not exceed 1.5;

iii. the consolidated interest cover ratio is at least 2.0 times.

iv. without prior written consent:
   a. not to incur, assume, guarantee or permit any future indebtedness which will result in a breach of its financial covenants;

   b. not to add to, delete, vary or amend its Memorandum and Articles of Association other than in a manner and for reasons allowed for in the term loan agreement and bond trust deed;

   c. not to cause, create or permit to exist any lien on any of its assets other than those permitted by the term loan agreement and bond trust deed;

   d. generally to manage and conduct other business affairs of the Group in a manner consistent with the provisions of the term loan agreement and bond trust deed.

The ratio of total consolidated liabilities to total consolidated shareholders' fund at 31 December 2008 stood at 1.55 and was subsequently reduced to below the covenanted limit of 1.5 post balance sheet date through the realisation of receivables and paying down of bank loans and trade creditors.

Note b
On 28 November 2008, the Company issued RM150,000,000 nominal amount of 3 year 5.95% fixed rate Musyarakah Medium Term Notes (MMTN).

Significant covenants

The MMTN is subjected to fulfilment of the following covenants:

i. the finance to equity ratio does not exceed 1.5;

ii. the profit/interest cover ratio of at least 2 times;

iii. without prior written consent from trustee:
   a. not to add, delete, vary or amends its Memorandum or Articles of Association other than in a manner and for reasons allowed in the financing documents and trust deed;

   b. not to dispose any assets in excess of 5% of the Group's net assets (as reflected in the latest consolidated annual audited financial statement) in any financial year other than those permitted by the financing document and trust deed;

   c. not to reduce its authorized and/or issued shares other than those permitted in the financing documents and trust deed;

   d. not to generally to manage and conduct the other business affairs of the Group in a manner consistent with the provisions and conditions of the financing documents and trust deed.

17. Loans and Borrowings (unsecured)

Terms and Debt Repayment Schedule

(RM'000)	Year of maturity	Carrying amount	Under 1 year	1 - 2 years	2 - 5 years	Over 5 years
Group — 2008						
Unsecured Musyarakah medium term note	2011	150,000	-	-	150,000	-
Unsecured term loan	2010	142,654	107,654	35,000	-	-
Secured term loan	2013	2,120	-	-	2,120	
Unsecured bond issues	2009	200,000	200,000	-	-	-
Unsecured bank overdrafts	2009	10,302	10,302	-	-	-
Unsecured bankers' acceptance	2009	202,939	202,939	-	-	-
Unsecured revolving credits	2009	205,000	205,000	-	-	-
		913,015	725,895	35,000	152,120	-
Group — 2007						
Unsecured term loan	2010	90,000	20,000	35,000	35,000	-
Unsecured bond issues	2009	200,000	-	200,000	-	-
Unsecured bank overdrafts	2008	16,592	16,592	-	-	-
Unsecured bankers' acceptance	2008	103,115	103,115	-	-	-
Unsecured revolving credits	2008	31,560	31,560	-	-	-
Unsecured foreign currency loan	2008	1,523	1,523	-	-	-
		442,790	172,790	235,000	35,000	-
Company — 2008						
Unsecured term loan	2010	70,000	35,000	35,000	-	-
Unsecured bond issues	2009	200,000	200,000	-	-	-
Unsecured revolving credit	2009	185,000	185,000	-	-	-
Unsecured Musyarakah medium term notes	2011	150,000	-	-	150,000	-
		605,000	420,000	35,000	150,000	-
Company — 2007						
Unsecured term loan	2010	90,000	20,000	35,000	35,000	-
Unsecured bond issues	2009	200,000	-	200,000	-	-
		290,000	20,000	235,000	35,000	-

18. Provisions

(RM'000)	Warranties 2008	Warranties 2007	Restructuring 2008	Restructuring 2007	Total 2008	Total 2007
Group						
At 1 January 2008	24	1,025	-	1,419	24	2,444
Provision made during the year	1,226	24	-	-	1,226	24
Provision used during the year	(594)	(1,025)	-	(1,419)	(594)	(2,444)
At 31 December 2008	656	24	-	-	656	24

	Restructuring 2008	Restructuring 2007
Company		
At 1 January 2008	-	1,419
Provision used during the year	-	(1,419)
At 31 December 2008	-	-

Warranties

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.

19. Payables and Accruals

(RM'000)	Note	Group 2008	Group 2007	Company 2008	Company 2007
Trade					
Trade payables	a	231,211	120,270	-	-
Amount due to payables on Contracts	12(c)	770	-	-	-
		231,981	120,270	-	-
Non-trade					
Other payables		43,160	17,848	76	379
Accrued expenses		28,105	23,614	8,393	2,388
Amount due to subsidiaries	b	-	-	42,281	34,796
		71,265	41,462	50,750	37,563
		303,246	161,732	50,750	37,563

19. Payables and Accruals (cont.)

Note a
Analysis of foreign currency exposure for significant payables

Significant payables that are not in the functional currencies of the Group entities are as follows:

(RM'000)		Group 2008	Group 2007	Company 2008	Company 2007
Functional currency	**Foreign currency**				
RM	USD	81,016	27,278	-	-
RM	SGD	98	473	-	-
RM	AUD	17	496	-	-
RM	INR	111	-	-	-
RM	Euro	4,609	1,203	-	-
RM	GBP	135	59	-	-
SGD	USD	929	2,324	-	-
BHT	USD	857	264	-	-
BHT	RM	2,514	-	-	-

Note b
The non-trade payables due to subsidiaries are unsecured, interest bearing ranging from 3.1% to 3.47% (2007: interest-free except for CCM Fertilizers Sdn Bhd bearing on interest of 3.45%) and repayable on demand.

20. Revenue

(RM'000)	Group 2008	Group 2007	Company 2008	Company 2007
Sales	2,098,953	1,395,844	-	-
Construction contracts	34,690	-	-	-
Services	30,958	401	-	-
Rental income from investment properties	858	1,023	4,530	4,695
	2,165,459	1,397,268	4,530	4,695

21. Operating Profit

(RM'000)	Note	Group 2008	Group 2007	Company 2008	Company 2007
Operating profit is arrived at after charging:					
Allowance for doubtful debts		1,750	552	-	-
Amortisation of prepaid lease payments		2,370	2,327	-	-
Auditors' remuneration					
• Statutory Audit					
• Auditor of the Company		441	308	40	34
• Other auditors		39	103	-	-
• Other services by auditor of the Company		341	24	341	18
Bad debts written off		248	61	-	-
Depreciation of property, plant and equipment	3	35,655	30,449	1,210	807
Loss on disposal of property, plant and equipment		1	193	-	287
Loss on disposal of an associate		-	-	-	-
Inter-company advances written off	12	900	-	900	1,251
Interest expense:					
• Subsidiaries		-	-	662	251
• Bank overdraft		5,341	10,207	184	10,117
• Revolving credits		824	1,933	4,100	-
• Bankers' acceptances		6,234	3,248	-	-
• Bond issues		6,000	6,000	6,000	6,000
• Term loans		3,660	3,794	3,660	3,794
• Other borrowings		3,599	318	169	-
Loss on damaged goods		22	10	-	-
Property, plant and equipment written off		11,883	54	-	-
Rental expenses on property leases		8,897	6,064	1,035	644
Rental expenses on equipment		142	183	-	-
Research and development costs expensed as incurred		4,271	3,997	-	-
Personnel expenses (including key management personnel)					
• Contribution to Employees Provident Fund		10,805	9,442	1,137	661
• Wages, salaries and others		87,734	73,171	7,901	6,298
Write-down of inventories		57,655	654	-	-
Write-off of inventories		8,473	1,709	-	-
Unrealised loss on foreign exchange		5,451	1,782	-	-
and after crediting:					
Allowance for doubtful debts written back		884	1,558	-	-
Claim from damage goods		-	1,097	-	-
Change in fair value of investment properties		5,559	8,343	3,917	6,006
Dividend income from:					
• Subsidiaries (unquoted)		-	-	53,681	81,636
• Associate		-	135	-	-
Gain on disposal of property, plant and equipment		58	3,642	-	3,548
Interest income:					
• Subsidiaries		-	-	9,174	30
• Associate		4	4	-	-
• Fixed deposits		2,294	5,357	2,139	5,327
• Commercial bonds		-	128	-	128
• Others		442	1,971	-	-
Net foreign exchange gain		84	-	-	-
Rental income from property subleases		-	1,007	-	-

22. Key Management Personnel Compensation

(RM'000)	Group 2008	Group 2007	Company 2008	Company 2007
Director				
• Fees	616	582	522	495
• Remuneration	1,199	892	1,199	892
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	191	186	191	186
	2,006	1,660	1,912	1,573

	Group 2008	Group 2007	Company 2008	Company 2007
Other key management personnel:				
• Remuneration	809	683	809	683
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	32	15	32	15
	841	698	841	698

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 includes all the Directors of the Group.

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.

23. Tax Expense

Recognised in the Income Statement

(RM'000)	Note	Group 2008	Group 2007	Company 2008	Company 2007
Tax expense		34,767	21,952	4,638	15,505
Share of tax of equity accounted associate		691	613	-	-
Total tax expense		35,458	22,565	4,638	15,505
Major components of tax expense include:					
Current tax expense					
Malaysian					
• current year		41,449	21,817	4,638	19,033
• prior year		513	699	-	51
Overseas					
• current year		-	459	-	-
Total current tax		41,962	22,975	4,638	19,084

23. Tax Expense (cont.)

(RM'000)	Note	Group 2008	Group 2007	Company 2008	Company 2007
Deferred tax expense					
Origination and reversal of temporary differences		(7,103)	(1,975)	-	(3,579)
(Over)/Under provision from prior years		(92)	1,138	-	-
(Write-down)/Reversal of a previous write-down of deferred tax assets		-	(186)	-	-
Total deferred tax expense	11	(7,195)	(1,023)	-	(3,579)
Share of tax of equity accounted associate		691	613	-	-
Total tax expense		35,458	22,565	4,638	15,505

Reconciliation of Effective Tax Expenses

(%)	Group 2008	Group 2007	Company 2008	Company 2007
Profit before tax	100	100	100	100
Tax at Malaysian tax rate of 26% (2007: 27%)	26	27	26	27
Non-deductible expenses	3	1	-	-
Non-taxable income	-	-	(4)	-
Tax exempt income	-	(7)	(13)	(9)
Other items	-	(3)	-	2
Under/(over) provided in prior years	-	3	-	-
	29	21	9	20

The corporate tax rate are 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

24. Earnings per Ordinary Share

Basic Earnings per Ordinary Share

The calculation of basic earnings per ordinary share at 31 December 2008 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2008	2007
Profit for the year attributable to ordinary shareholders	65,026	62,718

Weighted average number of ordinary shares

	Group	
	2008	2007
Issued ordinary shares at 1 January	402,563	392,977
Effect of ordinary shares issued in 2008/2007	172	5,642
Weighted average number of ordinary shares at 31 December	402,735	398,619

	Group	
(sen)	2008	2007
Basic earnings per ordinary share	16.1	15.7

Diluted Earnings per Ordinary Share

The calculation of diluted earnings per ordinary share at 31 December 2008 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	
	2008	2007
Profit for the year attributable to ordinary shareholders	65,026	62,718
Interest expense on convertible warrants, net of tax	1,728	1,716
Profit attributable to ordinary shareholders (diluted)	66,754	64,434

Weighted average number of ordinary shares diluted

	Group	
	2008	2007
Weighted average number of ordinary shares at 31 December	402,734	398,619
Effect of conversion of warrants	57,221	57,508
Weighted average number of ordinary shares (diluted) at 31 December	459,955	456,127

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

	Group	
(sen)	2008	2007
Diluted earnings per ordinary share	14.5	14.1

25. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount	Date of payment
2008			
Interim 2008 ordinary	5.9	23,671	5 November 2008
Final 2007 ordinary	7.4	29,583	20 June 2008
Total amount		53,254	
2007			
Interim 2007 ordinary	4.4	17,497	26 October 2007
Final 2006 ordinary	6.6	25,988	15 June 2007
Special 2006 ordinary	6.0	23,734	15 June 2007
Total amount		67,219	

After the balance sheet date the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share (net of tax)
Final ordinary	1.35
Final ordinary (tax exempt)	4.85
	6.20

26. Segment Reporting

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

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

Inter-segment pricing is determined on an arm's length basis.

Business Segments

The Group comprises the following main business segments:

Fertilizers

- Manufacture and marketing of fertilizers

Chemicals

- Manufacture and marketing of chlor-alkali and coagulant products, industrial and specialty chemicals and water treatment products.

Pharmaceuticals

- Manufacture and marketing of pharmaceutical and healthcare products.

Others

- Investment holding

Geographical Segments

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

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

26. Segment Reporting (cont.)

(RM'000)	Fertilizers 2008	2007	Chemicals 2008	2007	Pharmaceuticals 2008	2007
Business segments						
Total external revenue	1,405,051	723,387	529,180	456,769	229,156	214,846
Inter-segment revenue	758	389	77,364	54,292	3,544	2,564
Total segment revenue	1,405,809	723,776	606,544	511,061	232,700	217,410
Segment result	94,944	37,416	14,011	15,708	59,104	55,381
Interest income						
Finance costs						
Share of profit of equity accounted associate						
Tax expense						
Profit for the year						
Segment assets	923,086	334,063	423,655	348,228	707,415	355,134
Investment in associate	-	-	7,196	5,159		-
Total assets						
Segment liabilities	780,724	204,015	257,949	185,070	490,566	148,359
Unallocated liabilities						
Total liabilities						
Capital expenditure	69,879	21,691	27,776	10,594	79,386	36,614
Depreciation and amortisation	4,856	3,487	17,944	15,982	11,489	9,373

Geographical segments

(RM'000)	Malaysia 2008	2007	Indonesia 2008	2007
Revenue from external customers	1,692,846	1,130,572	376,471	176,177
Segment assets	1,770,479	1,305,317	266,327	92,680

Others		Eliminations		Consolidated	
2008	2007	2008	2007	2008	2007
2,072	2,266	-	-	2,165,459	1,397,268
8,310	6,661	(89,976)	(63,906)	-	-
10,382	8,927	(89,976)	(63,906)	2,165,459	1,397,268
55,039	78,723	(81,878)	(75,090)	141,220	112,138
				2,740	7,460
				(25,658)	(15,706)
				1,966	1,659
				(34,767)	(21,952)
				85,501	83,599
1,389,948	1,227,654	(1,328,246)	(784,552)	2,115,858	1,480,527
	-		71	7,196	5,230
				2,123,054	1,485,757
319,974	394,026	(969,749)	(612,688)	879,464	318,782
				385,000	328,563
				1,264,464	647,345
2,872	19,319	-	-	179,913	88,218
3,735	2,559	-	-	38,024	31,401

Other Regions		Unallocated		Consolidated	
2008	2007	2008	2007	2008	2007
96,142	90,519	-	-	2,165,459	1,397,268
86,248	87,760	-	-	2,123,054	1,485,757

27. Financial Instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

Credit Risk

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

Investment of surplus cash is allowed only as deposits with licensed banks approved by the Board.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. As for unrecognised financial assets, the maximum exposure to credit risk is the fair value of the financial assets disclosed below.

Interest Rate Risk

The Group's investment in fixed-rate debt securities and its fixed-rate and fluctuation-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's investments in variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

There interest rate risk for the Group is managed by combination of both long term and short term borrowings. The interest rate and tenure of the borrowings are highly depending on the historical, current and forecasted market conditions.

Effective Interest Rates and Repricing Analysis

In respect of interest-bearing financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

		2008			
(RM'000)	Note	Average effective interest rate (%)	Total	Less than 1 year	1 - 5 years
Group					
Floating rate instruments					
Unsecured bank overdraft	17	6.50	(10,302)	(10,302)	-
Unsecured bankers' acceptances	17	3.86	(202,939)	(202,939)	-
Unsecured revolving credits	17	4.14	(205,000)	(205,000)	-
Unsecured foreign currency loan in SGD	17	-	-	-	-
Fixed rate instruments					
Deposits	15	3.47	105,879	105,879	-
Commercial papers	9	6.45	-	-	-
Unsecured bonds	17	4.48	(200,000)	(200,000)	-
Secured fixed term loan	17	5.00	(2,120)	-	(2,120)
Unsecured fixed term loan	17	4.28	(142,654)	(107,654)	(35,000)
Unsecured MMTN	17	5.95	(150,000)	-	(150,000)
			(807,136)	(620,016)	(187,120)

27. Financial Instruments (cont.)

(RM'000)	Note	2007 Average effective interest rate (%)	Total	Less than 1 year	1 - 5 years
Group					
Floating rate instruments					
Unsecured bank overdraft	17	7.00	(16,592)	(16,592)	-
Unsecured bankers' acceptances	17	3.81	(103,115)	(103,115)	-
Unsecured revolving credits	17	4.00	(31,560)	(31,560)	-
Unsecured foreign currency loan in SGD	17	-	(1,523)	(1,523)	-
Fixed rate instruments					
Deposits	15	3.50	117,966	117,966	-
Commercial papers	9	6.45	92	92	-
Unsecured bonds	17	4.49	(200,000)	-	(200,000)
Secured fixed term loan	17	-	-	-	-
Unsecured fixed term loan	17	4.19	(90,000)	(20,000)	(70,000)
Unsecured MMTN	17	-	-	-	-
			(324,732)	(54,732)	(270,000)

(RM'000)	Note	2008 Average effective interest rate (%)	Total	Less than 1 year	1 - 5 years
Company					
Fixed rate instruments					
Deposits	15	3.47	83,480	83,480	-
Commercial papers	9	6.45	-	-	-
Unsecured bonds	17	4.48	(200,000)	(200,000)	-
Unsecured fixed term loan	17	4.28	(70,000)	(35,000)	(35,000)
Unsecured revolving credits	17	4.14	(185,000)	(185,000)	-
Unsecured MMTN	17	5.95	(150,000)	-	(150,000)
			(521,520)	(336,520)	(185,000)

(RM'000)	Note	2007 Average effective interest rate (%)	Total	Less than 1 year	1 - 5 years
Company					
Fixed rate instruments					
Deposits	15	3.50	115,400	115,400	-
Commercial papers	9	6.45	92	92	-
Unsecured bonds	17	4.49	(200,000)	-	(200,000)
Unsecured fixed term loan	17	4.19	(90,000)	(20,000)	(70,000)
Unsecured revolving credits	17	-	-	-	-
Unsecured MMTN	17	-	-	-	-
			(174,508)	95,492	(270,000)

27. Financial Instruments (cont.)

Foreign 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 currency giving rise to this risk is primarily U.S Dollar, Singapore Dollar, Hong Kong Dollar, Indonesian Rupiah, Euro Dollar, Thai Baht, Australia Dollar and Great Britain Pound Sterling.

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 or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Group will also enter into foreign currency forward contracts in the normal course of business in order to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

There are no foreign currency forward contracts outstanding as at 31 December 2008.

Fair Values

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

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follow:

(RM'000)	2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
Group				
Financial assets				
Investments in quoted shares	7,073	25,894	7,753	8,046
Commercial papers	-	-	92	94
	7,073	25,894	7,845	8,140
Financial liabilities				
Bonds	200,000	200,000	200,000	192,826
Unsecured fixed rate term loan	713,015	714,428	90,000	90,597
	913,015	914,428	290,000	283,423
Company				
Financial assets				
Commercial papers	-	-	92	94
	-	-	92	94
Financial liabilities				
Bonds	200,000	200,000	200,000	192,826
Unsecured fixed rate term loan	405,000	406,413	90,000	90,597
	605,000	606,413	290,000	283,423

27. Financial Instruments (cont.)

Estimation of Fair Values

The following summarises the methods used in determining the fair values of financial instruments.

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

For other financial assets and liabilities, fair value is determined using estimated future cash flows discounted using market related rate for a similar instrument at the balance sheet date.

28. Capital and Other Commitments

	Group		Company	
(RM'000)	2008	2007	2008	2007
Capital expenditure commitments plant and equipment				
Authorised but not contracted for	106,769	62,333	4,747	9,603
Contracted but not provided for	1,786	6,983	-	564
	108,555	69,316	4,747	10,167

29. Related Parties

Identity of Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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 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 includes 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).

29. Related Parties (cont.)

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see note 23), are as follows:

(RM'000)	Transactions amount for the year ended 31 December	Gross balance outstanding at 31 December	Net balance outstanding at 31 December
Group			
2008			
Associate			
Rental			
Orica-CCM Energy Systems Sdn Bhd	214	36	36
Balances in respect on non-trade transaction			
Orica-CCM Energy Systems Sdn Bhd	-	114	114
Significant investor that has influence over the subsidiary in the Group			
Lembaga Tabung Haji			
Sales of products	26,969	1,640	1,640
PNB Group of Companies			
Sales of products	2,309	-	-
2007			
Associate			
Rental			
Orica-CCM Energy Systems Sdn Bhd	240	36	36
Balances in respect on non-trade transaction			
Orica-CCM Energy Systems Sdn Bhd	-	116	116
Significant investor that has influence over the subsidiary in the Group			
Lembaga Tabung Haji			
Sales of products	12,945	2,698	2,698
P.T. Multigambut Industri			
Sales of products	3,632	-	-
PNB Group of Companies			
Sales of products	98,659	21,212	21,212
Company			
Subsidiaries			
Interest expense			
CCM Fertilizers Sdn Bhd	596	-	-
CCM Chemicals Sdn Bhd	66	-	-
Rental of land and/or building			
CCM Fertilizers Sdn Bhd	3,314	552	552
CCM Chemicals Sdn Bhd	363	61	61

29. Related Parties (cont.)

(RM'000)	Transactions amount for the year ended 31 December	Gross balance outstanding at 31 December	Net balance outstanding at 31 December
Shared cost			
CCM Fertilizers Sdn Bhd	2,500	-	-
CCM Chemicals Sdn Bhd	2,500	-	-
UPHA Pharmaceutical Manufacturing (M) Sdn Bhd	2,500	-	-
CCM Duopharma Biotech Berhad	2,500	-	-
Waiver of debt			
CCM Marketing Sdn Bhd	900	-	-
Company			
2008			
Balances in respect of non-trade transaction			
Amount owing from:			
CCM Pharmaceuticals Sdn Bhd	-	12,544	12,544
UPHA Pharmaceuticals Manufacturing (M) Sdn Bhd	-	83,347	83,347
CCM Pharma Sdn Bhd	-	28,169	28,169
Usaha Pharma (M) Sdn Bhd	-	104	104
CCM Fertilizers Sdn Bhd	-	7,944	7,944
CCM Duopharma Biotech Berhad	-	1,324	1,324
CCM Pharmaceuticals (S) Pte Ltd	-	2	2
PT CCM Indonesia	-	14,062	14,062
PT CCM Agripharma	-	28,037	28,037
CCM Chemicals Sdn Bhd	-	4,368	4,368
CCM Investment Ltd	-	25,563	25,563
CCM International Sdn Bhd	-	4,710	4,710
CCM International (Philippines), Inc.	-	690	690
CCM Siam Ltd	-	2,418	2,418
CCM Marketing Sdn Bhd	-	286,459	286,459
CCM Agriculture (Sabah) Sdn Bhd	-	408	408
CCM Agriculture Sdn Bhd	-	5,400	5,400
CCM Usaha Kimia (M) Sdn Bhd (formerly known as Usaha Kimia Sdn Bhd)	-	197	197
CCM Agri-Max Sdn Bhd	-	29,957	29,957
Innovax Sdn Bhd	-	501	501
Yayasan CCM	-	-	-
CCM Singapore Pte Ltd	-	5	5
CCM Water Systems Sdn Bhd (formerly known as Enersave Water Sdn Bhd)	-	143	143
Liberal Wira Sdn Bhd	-	3	3
Usaha Progresif Sdn Bhd	-	4	4
Euphorex Corporation Sdn Bhd	-	3	3
Advances owing from:			
CCM Agriculture Sdn Bhd	-	50,543	50,543
CCM Agriculture (Sabah) Sdn Bhd	-	13,368	13,368
CCM International Sdn Bhd	-	26,861	26,861
CCM Agri-Max Sdn Bhd	-	62,069	62,069
Innovax Sdn Bhd	-	6,637	6,637
CCM Water Systems Sdn Bhd (formerly known as Enersave Water Sdn Bhd)	-	10,963	10,963
CCM Usaha Kimia (M) Sdn Bhd (formerly known as Usaha Kimia Sdn Bhd)	-	41,057	41,057

29. Related Parties (cont.)

(RM'000)	Transactions amount for the year ended 31 December	Gross balance outstanding at 31 December	Net balance outstanding at 31 December
Company			
2008			
Amount owing to:			
CCM Pharmaceuticals Sdn Bhd	-	426	426
UPHA Pharmaceuticals Manufacturing (M) Sdn Bhd	-	19	19
CCM Fertilizers Sdn Bhd	-	23	23
CCM Duopharma Biotech Berhad	-	8	8
CCM Chemicals Sdn Bhd	-	31	31
CCM International Sdn Bhd	-	46	46
CCM Marketing Sdn Bhd	-	741	741
CCM Agriculture Sdn Bhd	-	2,674	2,674
Innovax Sdn Bhd	-	5	5
Yayasan CCM	-	5	5
Advances owing to:			
CCM International Sdn Bhd	-	17,869	17,869
CCM Agriculture (Sabah) Sdn Bhd	-	2,168	2,168
Liberal Wira Sdn Bhd	-	867	867
Euphorex Corporation Sdn Bhd	-	1,044	1,044
CCM Agri-Max Sdn Bhd	-	14,000	14,000
Usaha Progresif Sdn Bhd	-	2,361	2,361
2007			
Subsidiaries			
Interest expense			
CCM Fertilizers Sdn Bhd	148	-	-
CCM Chemicals Sdn Bhd	77	-	-
Rental of land and/or building			
CCM Fertilizers Sdn Bhd	3,314	-	-
CCM Chemicals Sdn Bhd	363	-	-
Shared cost			
CCM Fertilizers Sdn Bhd	2,500	276	276
CCM Chemicals Sdn Bhd	2,500	2,100	2,100
UPHA Pharmaceutical Manufacturing (M) Sdn Bhd	2,500	-	-
CCM Duopharma Biotech Berhad	2,500	-	-
Waiver of debt			
Usaha Pharma (M) Sdn Bhd	1,251	-	-

29. Related Parties (cont.)

(RM'000)	Transactions amount for the year ended 31 December	Gross balance outstanding at 31 December	Net balance outstanding at 31 December
Company			
2007			
Subsidiaries			
Balances in respect of non-trade transaction			
Amount owing from:			
CCM Pharmaceuticals Sdn Bhd	-	13,638	13,638
UPHA Pharmaceutical Manufacturing (M) Sdn Bhd	-	19,094	19,094
CCM Pharma Sdn Bhd	-	27,252	27,252
Usaha Pharma (M) Sdn Bhd	-	17	17
CCM Fertilizers Sdn Bhd	-	3,305	3,305
CCM Duopharma Biotech Berhad	-	637	637
CCM Pharmaceuticals (S) Pte Ltd	-	13	13
PT CCM Indonesia	-	9,044	9,044
CCM Chemicals Sdn Bhd	-	9,276	9,276
CCM Investments Ltd	-	27,041	27,041
CCM International Sdn Bhd	-	3,364	3,364
CCM International (Philippines), Inc	-	42	42
CCM Siam Ltd	-	299	299
CCM Marketing Sdn Bhd	-	321,678	321,678
CCM Agriculture Sdn Bhd	-	21,787	21,787
CCM Usaha Kimia (M) Sdn Bhd (formerly known as Usaha Kimia Sdn Bhd)	-	82	82
CCM Agri-Max Sdn Bhd	-	39	39
Innovax Sdn Bhd	-	1,192	1,192
Yayasan CCM	-	16	16
Advances owing from:			
CCM Agriculture Sdn Bhd	-	47,193	47,193
CCM International Sdn Bhd	-	26,861	26,861
CCM Agri-Max Sdn Bhd	-	35,769	35,769
Advances owing to:			
CCM Fertilizers Sdn Bhd	-	10,000	10,000
CCM Singapore Pte Ltd	-	12	12
CCM International Sdn Bhd	-	16,585	16,585
CCM Agriculture (Sabah) Sdn Bhd	-	1,300	1,300
Liberal Wira Sdn Bhd	-	866	866
Euphorex Corporation Sdn Bhd	-	1,043	1,043
CCM Agriculture Sdn Bhd	-	2,629	2,629
Usaha Progresif Sdn Bhd	-	2,360	2,360

Information regarding outstanding balances arising from related party transactions as at year end is disclosed in Note 12 and Note 19.

There is no allowance for doubtful debts being made in respect of these balances outstanding at year end.

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled with cash.

Bursa Malaysia Securities Berhad had written a letter dated 11 October 2008 to approve the Company's application for waiver from complying with Paragraph 10.08 or 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.

30. Subsequent Event

On 23 April 2008, the Company had entered into a shares sale agreement to acquire the following companies from Paramount Discovery Sdn Bhd ("PDSB") for an aggregate purchase consideration of RM126,900,000 to be satisfied by cash:

a. 480,000 ordinary shares of RM1.00 each in Innovative Polymer Systems Sdn Bhd ("IPSSB");

b. 99,999 ordinary shares of RM1.00 each in Innovative Resins Sdn Bhd ("IRSB"); and

c. 1,000 ordinary shares of RM1.00 each in Delta Polymer Systems Sdn Bhd ("DPSSB")

Pursuant to a completion audit, the purchase consideration was revised to RM122,733,000. The acquisitions were completed on 20 January 2009.

31. Acquisitions of Subsidiaries and Minority Interest

On 17 April 2008, the Company acquired 9,567,502 ordinary shares at RM1.00 each in CCM Watercare Systems Sdn Bhd (formerly known as Enersave Water Sdn Bhd) ("CCMWS") for RM37,914,000, settled in cash.

CCMWS is involved in designing, manufacturing, installing, commisioning and providing maintaining services for water purification and waste water treatment plant systems and sales of its related product.

Pursuant to the Shareholders Agreement, the Company has nominated its wholly-owned subsidiary, CCM Usaha Kimia (M) Sdn Bhd (formerly known as Usaha Kimia Sdn Bhd) to hold 9,471,827 of the shares in CCM Watercare Systems Sdn Bhd (formerly known as Enersave Water Sdn Bhd), while hold the remaining 95,675 of the shares.

The acquisition had the following effect on the Group's assets and liabilities at the acquisition date:

(RM'000)	Pre-acquisition carrying amount	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	6,502	757	7,259
Prepaid lease payments	7,585	-	7,585
Receivables, deposits and prepayments	20,398	-	20,398
Inventories	1,317	-	1,317
Cash and cash equivalents	4,180	-	4,180
Payables and accruals	(5,992)	-	(5,992)
Loans and borrowings	(17,571)	-	(17,571)
Net identifiable assets and liabilities	16,419	757	17,176
Minority shareholders interest			(742)
Goodwill on acquisition			21,480
Consideration paid, satisfied in cash			37,914
Cash acquired			(4,180)
Net cash outflow			33,734

Statutory Declaration Pursuant to Section 169(16) of the Companies Act, 1965

I, **Ahmad Mustaffa bin Abdul Manaf**, the officer primarily responsible for the financial management of Chemical Company of Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 064 to 119 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 27 March 2009.

Ahmad Mustaffa bin Abdul Manaf

Before me:

Commission for Oaths
Kuala Lumpur