Directors' report
for the year ended 31 December 2007
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-sixth annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2007. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 28 May 2008.

Principal activities
The Company is principally an investment holding management company with subsidiaries engaged in the manufacture and marketing of fertilizers, chlor-alkali and coagulant products, chemical and pharmaceuticals products 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

[in RM'000]	Group	Company
Profit attributable to:		
Shareholders of the Company	62,718	60,370
Minority interest	20,881	-
	83,599	60,370

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 statement of changes in equity in the financial statements.

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

i. a final ordinary dividend of 9.0 sen per ordinary share less tax at 27% and a special dividend of 6.0 sen per ordinary share, tax exempt, totalling RM25,988,500 [6.6 sen net per ordinary share] and RM23,734,000, respectively, in respect of the financial year ended 31 December 2006 on 15 June 2007; and

ii. an interim ordinary dividend of 6.0 sen per ordinary share less tax at 27% totalling RM17,497,300 [4.4 sen net per ordinary share] in respect of the financial year ended 31 December 2007 on 26 October 2007.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2007 is 10.0 sen per ordinay share less tax at 26% [7.40 sen net per ordinary shares] which if approved, will be paid on 20 June 2008 to shareholders registered at the close of business on 4 June 2008.

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

Directors of the company [contd.]

- Tan Sri Dato' Dr Mohamed Yusof bin Hashim
- Sreesanthan a/l Eliathamby
- Dato' Kalsom Abdul Rahman
- Jamiah binti Abdul Hamid
- Abdul Rahim bin Abdul Hamid
- Tan Sri Dato' Dr Abu Bakar bin Suleiman [appointed on 13.09.2007]
- Dato' Seri Mohd Hussaini bin Haji Abdul Jamil [resigned on 28.05.2007]

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 RM1 each			
	At 1.1.2007/ Date of appointment	Bought	Sold	At 31.12.2007
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	-	5,000
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 each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
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 the 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 2007 had any interest in the ordinary shares of the Company and of its related corporations 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 companies] 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 company 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 apart from the issue of the Employees' Share Option Scheme ["ESOS"].

Issue of shares

During the financial year, the Company issued 9,585,885 ordinary shares of RM1 each at par for cash arising from:

i. conversion of 8,977,885 Warrants-B on the basis of one ordinary shares at the price of RM1.36 per ordinary share for every warrant held; and
ii. subscription of 608,000 ordinary shares at the price of RM1.36 per ordinary share through the Employee's Share Option Scheme ["ESOS"].

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial 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 shares or warrants pursuant to the Employees' Share Option Scheme and 3% Fixed Rate Bonds with Warrants issue 2002/2009.

1. Employees' Share Option Scheme ["ESOS"]

Pursuant to the ESOS which became effective on 18 December 2002, options to subscribe for up to 17,608,000 ordinary shares of the Company are available to eligible Directors and employees of the Group. The Executive Directors have opted not to participate in this ESOS.

The salient features of the Scheme are as follows:

i. Eligible employees are those who have been confirmed in writing as an employee of the Group prior to the date of the offer.
ii. The option is personal to the grantee and is non-assignable.
iii. The option price was determined by the average of the mean market quotation of the Company's ordinary shares as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five [5] trading days preceeding the date of the offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is higher.
iv. The options granted may be exercised at any time within a period of five years from the date of the offer of the option.
v. The options granted may be exercised according to the following scale in respect of a maximum of the following:

Length of service	Percentage of options exercisable
3 years	50%
4 years	75%
5 years	100%

The outstanding offered options to take up issued ordinary shares of RM1 each and the exercise option price are as follows:

Number of options over ordinary shares of RM1 each

Date of Offer	Exercise Price	At 1 January 2007	Exercised	Lapsed	At 31 December 2007
18.12.2002	1.36	829,115	608,000	[221,115]	-

The ESOS expired on 18 December 2007. The unexercised number of shares as at 18 December 2007 is 221,115 shares.

2. 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 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 2007 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 statements set out on pages 076 to 136 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

Holding company

The holding company is Permodalan Nasional Berhad ["PNB"], a company incorporated in Malaysia.

Subsequent event

On 25 January 2008, the Company has entered into a Conditional Share Sale Agreement for the acquisition of 9,567,502 ordinary shares of RM1.00 each representing approximately 97.14% of the issued and fully paid up ordinary shares in Enersave Water Sdn Bhd for a total cash purchase consideration of RM38.28 million.

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,
31 March 2008

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 076 to 136 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 31 March 2008.

Ahmad Mustaffa bin Abdul Manaf

Report of the auditors

to the members of Chemical Company of Malaysia Berhad

We have audited the financial statements set out on pages 076 to 136. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

a. the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
   i. the state of affairs of the Group and of the Company at 31 December 2007 and the results of their operations and cash flows for the year ended on that date; and
   ii. the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
b. the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 7 to the financial statements and we have considered their financial statements and, where audited, the auditors' reports thereon.

We have also considered the unaudited financial statements of CCM Investments Limited and CCM International [Philippines], Inc.

We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection [3] of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Hasman Yusri Yusoff
Partner
Approval Number: 2583/08/08[J]

Kuala Lumpur,
31 March 2008

Balance sheets
at 31 December 2007

[in RM'000]	Note	Group 2007	Group 2006 restated	Company 2007	Company 2006 restated
Assets					
Property, plant and equipment	3	**300,193**	243,107	**19,089**	18,866
Intangible assets	4	**212,192**	208,192	**63**	63
Prepaid lease payments	5	**116,287**	109,269	**-**	-
Investment properties	6	**74,928**	76,598	**156,213**	149,869
Investment in subsidiaries	7	**-**	-	**162,375**	161,875
Investment in associates	8	**5,230**	3,706	**-**	-
Other investments	9	**9,089**	9,265	**92**	92
Development expenditure	10	**-**	-	**-**	-
Deferred tax assets	11	**3,266**	5,427	**679**	719
Total non-current assets		**721,185**	655,564	**338,511**	331,484
Receivables, deposits and prepayments	12	**317,804**	281,086	**568,539**	528,649
Inventories	13	**237,740**	203,076	**-**	-
Current tax assets		**15,538**	17,043	**13,052**	9,512
Assets classified as held for sale	14	**-**	22,770	**-**	22,770
Cash and cash equivalents	15	**193,490**	298,414	**116,856**	161,629
Total current assets		**764,572**	822,389	**698,447**	722,560
Total assets		**1,485,757**	1,477,953	**1,036,958**	1,054,044
Equity					
Share capital	16	**402,563**	392,977	**402,563**	392,977
Reserves		**33,517**	56,378	**17,131**	31,532
Retained earnings		**302,476**	289,106	**270,913**	259,907
Total equity attributable to shareholders of the company		**738,556**	738,461	**690,607**	684,416
Minority interest		**99,856**	99,590	**-**	-
Total equity		**838,412**	838,051	**690,607**	684,416

Balance sheets [contd.]
at 31 December 2007

[in RM'000]	Note	Group 2007	Group 2006 restated	Company 2007	Company 2006 restated
Liabilities					
Loans and borrowings [unsecured]	17	**270,000**	290,000	**270,000**	290,000
Deferred tax liabilities	11	**39,605**	42,789	**18,788**	22,407
Total non-current liabilities		**309,605**	332,789	**288,788**	312,407
Provisions	19	**24**	2,444	**-**	1,419
Payables and accruals	20	**161,732**	168,365	**37,563**	45,802
Current tax liabilities		**3,194**	2,372	**-**	-
Loans and borrowings	17	**172,790**	133,932	**20,000**	10,000
Total current liabilities		**337,740**	307,113	**57,563**	57,221
Total liabilities		**647,345**	639,902	**346,351**	369,628
Total equity and liabilities		**1,485,757**	1,477,953	**1,036,958**	1,054,044

The notes on pages 085 to 136 are an integral part of these financial statements.

Income statements
for the year ended 31 December 2007

[in RM'000]	Note	Group 2007	Group 2006	Company 2007	Company 2006
Revenue	21	**1,397,268**	1,110,060	**4,695**	4,976
Cost of goods sold		**[1,186,731]**	[926,849]	**[1,631]**	[1,250]
Gross profit		**210,537**	183,211	**3,064**	3,726
Other income		**19,643**	67,118	**94,223**	121,699
Distribution expenses		**[21,530]**	[20,823]	**-**	-
Administration expenses		**[66,234]**	[60,057]	**[3,915]**	[8,879]
Other expenses		**[30,278]**	[27,580]	**[12,644]**	[3,411]
Results from operating activities		**112,138**	141,869	**80,728**	113,135
Interest income		**7,460**	11,150	**5,515**	8,978
Finance costs		**[15,706]**	[15,577]	**[10,368]**	[10,304]
Operating profit	22	**103,892**	137,442	**75,875**	111,809
Share of profit after tax and minority interest of equity accounted associate		**1,659**	926	**-**	-
Profit before tax		**105,551**	138,368	**75,875**	111,809
Tax expense	24	**[21,952]**	[17,343]	**[15,505]**	[8,357]
Profit for the year		**83,599**	121,025	**60,370**	103,452

Income statements [contd.]
for the year ended 31 December 2007

[in RM'000]	Note	Group 2007	Group 2006	Company 2007	Company 2006
Attributable to:					
Shareholders of the Company		**62,718**	104,272	**60,370**	103,452
Minority interest		**20,881**	16,753	**-**	-
Profit for the year		**83,599**	121,025	**60,370**	103,452
Basic earnings per ordinary share [sen]	25	**15.7**	26.9		
Diluted earnings per ordinary share [sen]	25	**14.1**	23.4		

The notes on pages 085 to 136 are an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2007

		Attributable to shareholders				
		Non-distributable				
[in RM'000]	Note	Share capital	Share premium	Capital redemption reserve	Translation reserve	Revaluation reserve
Group						
At 1 January 2006						
As previously reported		383,520	9,812	73	[100]	55,386
Effect of adopting FRS140		-	-	-	-	[11,564]
At 1 January 2006, restated		383,520	9,812	73	[100]	43,822
Issue of shares:						
Exercise of share options						
· the Company		1,814	653	-	-	-
· the subsidiary		-	11	-	-	-
Conversion of warrants		7,643	2,783	-	-	-
Foreign exchange translation differences		-	-	-	[1,062]	-
Realisation of revaluation reserve on leasehold properties		-	-	-	-	[176]
Net gains recognised directly in equity		-	-	-	[1,062]	[176]
Profit for the year		-	-	-	-	-
Total recognised income and expense for the year		-	-	-	[1,062]	[176]
Treasury shares sold		-	3,416	-	-	-
Dividends to shareholders	26	-	-	-	-	-
Dividends to minority interest		-	-	-	-	-
At 31 December 2006		392,977	16,675	73	[1,162]	43,646
Issue of shares:						
Exercise of share options						
· the Company		608	222	-	-	-
· the subsidiary		-	-	-	-	-
Conversion of warrants		8,978	3,232	-	-	-
Foreign exchange translation differences					[8,087]	
Realisation of revaluation reserve on disposal of property		-	-	-	-	[17,855]
Realisation of revaluation reserve on landed property		-	-	-	-	[373]
Net gains recognised directly in equity		-	-	-	[8,087]	[18,228]
Profit for the year		-	-	-	-	-
Total recognised income and expense for the year		-	-	-	[8,087]	[18,228]
Dividends to shareholders	26	-	-	-	-	-
Dividends to minority interest		-	-	-	-	-
At 31 December 2007		402,563	20,129	73	[9,249]	25,418

of the Company					
		Distributable			
Other capital reserve	Treasury shares	Retained earnings	Total	Minority interest	Total equity
2,982	[11,443]	242,944	683,174	95,484	778,658
-	-	11,564	-	-	-
2,982	[11,443]	254,508	683,174	95,484	778,658
-	-	-	2,467	-	2,467
-	-	-	11	-	11
-	-	-	10,426	-	10,426
-	-	-	[1,062]	-	[1,062]
-	-	176	-	-	-
-	-	176	[1,062]	-	[1,062]
-	-	104,272	104,272	16,753	121,025
-	-	104,448	103,210	16,753	119,963
-	5,607	-	9,023	-	9,023
-	-	[69,850]	[69,850]	-	[69,850]
-	-	-	-	[12,647]	[12,647]
2,982	[5,836]	289,106	738,461	99,590	838,051
-	-	-	830	-	830
-	-	-	-	-	-
-	-	-	12,210	-	12,210
			[8,087]		[8,087]
-	-	17,855	-	-	-
-	-	16	[357]	-	[357]
-	-	17,871	[8,444]	-	[8,444]
-	-	62,718	62,718	20,881	83,599
-	-	80,589	54,274	20,881	75,155
-	-	[67,219]	[67,219]	-	[67,219]
-	-	-	-	[20,615]	[20,615]
2,982	[5,836]	302,476	738,556	99,856	838,412

Statement of changes in equity
for the year ended 31 December 2007

[in 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 2006								
As previously reported		383,520	9,812	73	45,136	[11,443]	201,800	628,898
Effect of adopting FRS140		-	-	-	[24,505]	-	24,505	-
At 1 January 2006, restated		383,520	9,812	73	20,631	[11,443]	226,305	628,898
Issue of shares:								
- Exercise of share options		1,814	653	-	-	-	-	2,467
- Conversion of warrants		7,643	2,783	-	-	-	-	10,426
Profit for the year		-	-	-	-	-	103,452	103,452
Treasury shares sold		-	3,416	-	-	5,607	-	9,023
Dividends to shareholders	26	-	-	-	-	-	[69,850]	[69,850]
At 31 December 2006		392,977	16,664	73	20,631	[5,836]	259,907	684,416
As previously reported		-	-	-	-	-	-	-
Effect of adopting FRS140		-	-	-	-	-	-	-
At 1 January 2007, restated		392,977	16,664	73	20,631	[5,836]	259,907	684,416
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	-
Profit for the year		-	-	-	-	-	60,370	60,370
Dividends to shareholders	26	-	-	-	-	-	[67,219]	[67,219]
At 31 December 2007		402,563	20,118	73	2,776	[5,836]	270,913	690,607

The notes on pages 085 to 136 are an integral part of these financial statements.

Cash flow statements

for the year ended 31 December 2007

[in RM'000]	Note	Group 2007	Group 2006 restated	Company 2007	Company 2006 restated
Cash flows from operating activities					
Profit before tax		**105,551**	138,368	**75,875**	111,809
Adjustments for:					
Depreciation of property, plant and equipment		**30,449**	28,735	**807**	655
Amortisation of prepaid lease payments		**2,327**	447	**-**	-
Change in fair value of investment properties		**[8,343]**	-	**[6,006]**	-
Dividend income		**-**	-	**[81,636]**	[93,621]
Gain on disposal of other investments	9	**-**	[62,664]	**-**	[28,598]
Gain on disposal of asset held for sale		**[3,910]**	-	**[3,910]**	-
Interest income		**[7,460]**	[11,150]	**[5,264]**	[8,978]
Interest expenses		**15,706**	15,577	**10,117**	10,304
Loss on disposal investment properties		**75**	-	**75**	-
Loss/[Gain] on disposal of property, plant and equipment		**193**	[1,379]	**287**	[38]
Loss on disposal of an associate		**-**	17	**-**	-
Property, plant and equipment write off		**54**	1,611	**-**	-
Write-off of investment		**176**	-	**-**	-
Share of profit of equity accounted associates		**[1,659]**	[926]	**-**	-
Realisation of revaluation reserve on disposal of properties		**[357]**	-	**-**	-
Translation adjustment for prepaid lease payment		**993**	-	**-**	-
Translation adjustment		**[8,087]**	[1,062]	**-**	-
		125,708	107,574	**[9,655]**	[8,467]
Operating profit/[loss] before working capital					
Changes in working capital:					
Inventories		**[34,664]**	[34,376]	**-**	-
Receivables, deposits and prepayments		**[36,718]**	[71,626]	**[39,890]**	[137,345]
Payables and accruals		**[9,053]**	40,414	**[9,658]**	[6,558]
Cash generated from/[used in] operations		**45,273**	41,986	**[59,203]**	[152,370]
Interest income		**7,460**	11,150	**5,515**	8,978
Interest expenses		**[15,706]**	[15,577]	**[10,368]**	[10,304]
Income taxes paid		**[20,648]**	[33,522]	**[1,155]**	1,453
Net cash from/[used in] operating activities		**16,379**	4,037	**[65,211]**	[152,243]

Cash flow statements [contd.]

for the year ended 31 December 2007

[in RM'000]	Note	Group 2007	Group 2006	Company 2007	Company 2006
Cash flows from investing activities					
Acquisition of intangible assets		**[4,000]**	[16,971]	**-**	-
Acquisition of investment properties		**[413]**	[9,971]	**[413]**	[11,291]
Acquisition of other investments		**-**	[9,173]	-	-
Acquisition of property, plant and equipment	3	**[87,805]**	[61,336]	**[1,344]**	[899]
Acquisition of prepaid lease payments		**[342]**	-	**-**	-
Acquisition of subsidiaries, net of cash acquired		**-**	1,046	**-**	[282]
Dividends received from subsidiaries		**-**	-	**60,167**	76,927
Dividends received from associates		**135**	-	**-**	-
Increase in investment in subsidiaries		**-**	-	**[500]**	119
Proceeds from disposal of an associate		**-**	1,325	**-**	-
Proceeds from disposal of property, plant and equipment		**378**	2,810	**27**	87
Proceeds from disposal of asset held for sale		**26,680**	-	**26,680**	-
Proceeds from disposal of other investments		**-**	96,890	**-**	47,952
Proceeds from disposal of commercial papers		**-**	40,588	**-**	40,588
Net cash [used in]/ from investing activities		**[65,367]**	45,208	**84,617**	153,201
Cash flows from financing activities					
Dividends paid to minority shareholders		**[20,615]**	[12,647]	**-**	-
Dividends paid to shareholders of the Company	26	**[67,219]**	[69,850]	**[67,219]**	[69,850]
Proceeds from loans and borrowings		**28,858**	14,218	**-**	-
Proceeds from sale of treasury shares		**-**	9,023	**-**	9,023
Proceeds from exercise of ESOS		**830**	2,478	**830**	2,467
Proceeds from exercise of warrants		**12,210**	10,426	**12,210**	10,426
Repayment of loans and borrowings		**[10,000]**	-	**[10,000]**	-
Net cash used in financing activities		**[55,936]**	[46,352]	**[64,179]**	[47,934]
Net [decrease]/increase in cash and cash equivalents		**[104,924]**	2,893	**[44,773]**	[46,976]
Cash and cash equivalents at 1 January	[i]	**298,414**	295,521	**161,629**	208,605
Cash and cash equivalents at 31 December	[i]	**193,490**	298,414	**116,856**	161,629

[i] Cash and cash equivalents

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

	Group 2007	Group 2006	Company 2007	Company 2006
Cash and bank balances	**75,524**	53,087	**1,456**	2,719
Deposits with licensed banks	**117,966**	245,327	**115,400**	158,910
	193,490	298,414	**116,856**	161,629

The notes on pages 085 to 136 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 2007 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 2007 do not include other entities.

The Company is principally an investment holding management company with subsidiaries and associate engaged in the manufacture and marketing of fertilizers, chlor-alkali and coagulant products, chemicals and pharmaceuticals products 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 31 March 2008.

1. Basis of preparation

a. Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards [FRS] issued by the Malaysian Accounting Standards Board [MASB], accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The MASB has also issued the following Financial Reporting Standards [FRSs] and Interpretations that are effective for annual periods beginning after 1 January 2007, and that have not been applied in preparing these financial statements:

FRSs/Interpretations	Effective date
FRS 107, Cash Flow Statements	1 July 2007
FRS 111, Construction Contracts	1 July 2007
FRS 112, Income Taxes	1 July 2007
FRS 118, Revenue	1 July 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 134, Interim Financial Reporting	1 July 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007

1. Basis of preparation [contd.]

a. Statement of compliance [contd.]

FRSs/Interpretation	Effective date
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, *Scope of FRS 2*	1 July 2007

The Group and the Company plan to apply the rest of the abovementioned FRSs and Interpretations for the annual period beginning 1 January 2008 except for FRS 139, Financial Instruments: Recognition and Measurement which the effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption of this standard 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 FRS 139.103 AB.

The initial application of the FRSs and Interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

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 also the Company's functional currency. All financial information presented in RM 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.

1. Basis of preparation [contd.]

Estimates and underlying assumptions are reviewed on an ongoing 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 19 - 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, if any, unless the investment is classified as held for sale [or included in a disposal group that 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 income and expenses 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 to make 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 [or included in a disposal group that is classified as held for sale].

iii. Changes in Group composition

When a 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 Group's interests 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.

2. Significant accounting policies [contd.]

a. Basis of consolidation [contd.]

iv. Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets [excluding goodwill] 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 interests and the equity shareholders 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 that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in 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 arising on acquisition, are translated to RM at exchange rates at the balance sheet date except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, 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 impairment losses.

Property, plant and equipment under the revaluation model

The Group revalues its property comprising land and building every 5 years and at

2. Significant accounting policies [contd.]

c. Property, plant and equipment [contd.]

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. 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.

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 operating 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 those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

2. Significant accounting policies [contd.]

c. Property, plant and equipment [contd.]

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. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

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

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

ii. Operating lease

The Group has previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On adoption of FRS 117, Leases, the Company treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

The Group had previously revalued its leasehold land on 24 November 2005 and the Group has retained the unamortised revalued amount as the surrogate carrrying 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.

2. Significant accounting policies [contd.]

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. With the adoption of FRS 3 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 carried at cost and reviewed and adjusted annually for any impairment.

iii. Other intangible assets

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

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.

iv. Amortisation

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

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. In the Group's financial statements, properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

All 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 recognized in the income statement.

iii. Determination of fair value

An external, independent valuation company, having appropriate recognised professional qualifications and recent

2. Significant accounting policies [contd.]

experience in the location and category of property being valued, values the Group's investment property portfolio every five years, 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.

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

g. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined on a weighted average basis and consists of materials, and where applicable, direct labour and an appropriate proportion of fixed and variable production overheads. 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.

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

j. 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.

2. Significant accounting policies [contd.]

k. Impairment of assets

The carrying amount of assets, except for financial assets, inventories, deferred tax assets, 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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, their recoverable amount is estimated at each reporting date.

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.

2. Significant accounting policies [contd.]

l. Share capital

i. Shares issue expenses

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

ii. Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, 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.

m. 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.

n. Employee benefits

i. Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A 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.

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.

ii. Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee share options is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility [based on weighted average historic volatility adjusted for changes expected due to publicly available information], weighted average expected life of the instruments [based on historical experience and general option holder behaviour], expected dividends, and the risk-free interest rate [based on government bonds]. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. Significant accounting policies [contd.]

o. Provision

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

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

p. 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.

q. 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. 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.

iii. Dividend income

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

r. Interest income and borrowing costs

Interest income is recognised as it 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.

s. Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it 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.

2. Significant accounting policies [contd.]

s. Tax expense [contd.]

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.

t. 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.

u. Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services [business segment], which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

[in RM'000]	Freehold land	Freehold buildings	Long term leasehold land	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Group								
Cost/Valuation								
At 1 January 2006	46,757	25,055	98,425	44,673	367	427,497	13,423	656,197
Effect of adopting FRS 117	-	-	[98,425]	-	-	-	-	[98,425]
At 1 January 2006, restated	46,757	25,055	-	44,673	367	427,497	13,423	557,772
Additions	-	138	-	42	-	30,816	19,049	50,045
Acquisition through business combination	-	-	-	-	-	190	-	190
Disposals	[193]	-	-	-	-	[3,581]	-	[3,774]
Write-off	-	-	-	-	-	[4,639]	-	[4,639]
Reclassification	30	273	-	-	-	[303]	-	-
Transfer to assets held for sale	[21,300]	[1,500]	-	-	-	-	-	[22,800]
At 31 December 2006, 1 January 2007, restated	25,294	23,966	-	44,715	367	449,980	32,472	576,794
Additions	7,691	12,739	-	8,656	-	32,507	26,212	87,805
Reclassification from investment properties	-	355	-	-	-	-	-	355
Disposals	-	-	-	-	-	[2,867]	-	[2,867]
Write-off	-	-	-	-	-	[103]	-	[103]
At 31 December 2007	32,985	37,060	-	53,371	367	479,517	58,684	661,984

3. Property, plant and equipment [contd.]

[in RM'000]	Freehold land	Freehold buildings	Long term leasehold land	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Group								
Depreciation								
At 1 January 2006	-	116	-	38	196	309,835	-	310,185
Depreciation for the year	-	529	-	1,564	27	26,615	-	28,735
Acquisition through business combination	-	-	-	-	-	168	-	168
Disposals	-	-	-	-	-	[2,343]	-	[2,343]
Write off	-	-	-	-	-	[3,028]	-	[3,028]
Transfer to assets held for sale	-	[30]	-	-	-	-	-	[30]
At 31 December 2006/ 1 January 2007	-	615	-	1,602	223	331,247	-	333,687
Depreciation for the year	-	695	-	1,558	26	28,170	-	30,449
Disposals	-	-	-	-	-	[2,296]	-	[2,296]
Write-off	-	-	-	-	-	[49]	-	[49]
At 31 December 2007	-	1,310	-	3,160	249	357,072	-	361,791
Carrying amounts								
At 1 January 2006	46,757	24,939	-	44,635	171	117,662	13,423	247,587
At 31 December 2006/ 1 January 2007	25,294	23,351	-	43,113	144	118,733	32,472	243,107
At 31 December 2007	32,985	35,750	-	50,211	118	122,445	58,684	300,193

3. Property, plant and equipment [contd.]

[in RM'000]	Freehold land	Freehold buildings	Plant, machinery and equipment	Total
Company				
Cost/Valuation				
At 1 January 2006,	36,700	1,997	5,768	44,465
Additions	-	104	795	899
Disposals	-	-	[104]	[104]
Transfer to assets held for sale	[21,300]	[1,500]	-	[22,800]
At 31 December 2006	15,400	601	6,459	22,460
Additions	-	22	1,322	1,344
Disposals	-	-	[920]	[920]
At 31 December 2007	15,400	623	6,861	22,884
Depreciation				
At 1 January 2006	-	-	3,024	3,024
Depreciation for the year	-	30	625	655
Disposals	-	-	[55]	[55]
Transfer to assets held for sale	-	[30]	-	[30]
At 31 December 2006/1 January 2007	-	-	3,594	3,594
Depreciation for the year	-	24	783	807
Disposals	-	-	[606]	[606]
At 31 December 2007	-	24	3,771	3,795
Carrying amounts				
At 1 January 2006	36,700	1,997	2,744	41,441
At 31 December 2006/1 January 2007	15,400	601	2,865	18,866
At 31 December 2007	15,400	599	3,090	19,089

3. **Property, plant and equipment [contd.]**

Property, plant and equipment under construction
During the year ended 31 December 2007 the Group incurred the following:
i. construction of a new building and installation of new plant machinery for manufacturing and marketing of a wide range of fertilizers; costs incurred up to the balance sheet date totalled RM23,201,000 [2006: RM4,654,000].

ii. installation of new plant machinery for manufacturing and marketing of a wide range of pharmaceutical products; costs incurred up to the balance sheet date totalled RM35,019,000 [2006: RM27,818,000].

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	
[in RM'000]	**2007**	2006 restated	**2007**	2006
Freehold land and buildings	**38,941**	48,248	**2,997**	3,006

4. **Intangible assets**

[in RM'000]	Goodwill	Marketing rights	Trademark	Brands	Total
Group					
Cost					
At 1 January 2006	189,659	-	63	-	189,722
Acquisition through business combination	1,499	-	-	-	1,499
Acquisition during the year	-	16,971	-	-	16,971
At 31 December 2006/1 January 2007	191,158	16,971	63	-	208,192
Acquisition during the year	-	-	-	4,000	4,000
At 31 December 2007	191,158	16,971	63	4,000	212,192
Impairment losses					
At 1 January 2006/31 December 2007	-	-	-	-	-
Carrying amounts					
At 1 January 2006	189,659	-	63	-	189,722
At 31 December 2006/1 January 2007	191,158	16,971	63	-	208,192
At 31 December 2007	191,158	16,971	63	4,000	212,192

4. Intangible assets [contd.]

[in RM'000]	Trademark
Company	
Cost	
At 1 January 2006	63
Acquisition during the year	-
At 31 December 2006/31 December 2007	63
Impairment losses	
At 1 January 2006/At 31 December 2007	-
Carrying amount	
At 1 January 2006	63
At 31 December 2006/At 31 December 2007	63

4.1. Material intangible assets

Goodwill

The carrying amount of the goodwill of a subsidiary in pharmaceutical 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 Company has not amortise the products. The Company will amortise once the products are fully commercialised. It is reasonably anticipated that the marketing rights will be recovered through future commercial activity.

Brands

The carrying amount of brands represents the acquisition of the brand name of the over-the-counter products. The Company has not amortised the brand as the Company is of the opinion that the brands are able to generate such income in the near future based on the Company's projected cash flows. The Company 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 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 consolidation and brand were based on value in use of the investment in the subsidiary ["the subsidiary'] and the operations of the products relate to the brand acquired ["the operations'], repectively. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

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

a. an estimate of the future cash flows projections the subsidiary and the operations expects to derive
b. the subsidiary 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 Company's assessment of future trends in the pharmaceutical industry and are based on both external and internal sources of historical data.

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

5. Prepaid lease payments

[in RM'000]	Unexpired period less than 50 years	Unexpired period more than 50 years	Total
Group			
Cost / Valuation			
At 1 January 2006	-	-	-
Effect of adopting FRS 117	23,975	74,450	98,425
At 1 January 2006, restated	23,975	74,450	98,425
Additions	-	11,291	11,291
At 31 December 2006/1 January 2007, restated	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	32,978	86,083	119,061
Amortisation			
At 1 January 2006	-	-	-
Amortisation for the year	447	-	447
At 31 December 2006/1 January 2007	447	-	447
Amortisation for the year	945	1,382	2,327
At 31 December 2007	1,392	1,382	2,774
Carrying amounts			
At 1 January 2006, restated	23,975	74,450	98,425
At 31 December 2006/1 January 2007, restated	23,528	85,741	109,269
At 31 December 2007	31,586	84,701	116,287

6. Investment properties

[in RM'000]	Group 2007	Group 2006	Company 2007	Company 2006
At 1 January	**76,598**	-	**149,869**	-
Acquisition	**-**	9,971	**-**	11,291
Transfer from property, plant and equipment	**-**	66,627	**-**	138,578
Addition	**413**	-	**413**	-
Disposal	**[75]**	-	**[75]**	-
Reclassification to prepaid lease payment	**[9,996]**	-	**-**	-
Reclassification to property, plant and equipment	**[355]**	-	**-**	-
Change in fair value	**8,343**	-	**6,006**	-
At 31 December	**74,928**	76,598	**156,213**	149,869
Included in the above are:				
Freehold land	**22,087**	22,087	**25,705**	18,245
Leasehold land with unexpired lease period of less than 50 years	**3,200**	13,171	**-**	-
Leasehold land with unexpired lease period of more than 50 years	**48,641**	40,340	**116,525**	117,641
Buildings	**1,000**	1,000	**13,983**	13,983
At 31 December	**74,928**	76,598	**156,213**	149,869

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	4.2% - 4.8%
Residential house	1.4%

7. Investment in subsidiaries

	Company 2007	Company 2006
Unquoted shares	**166,575**	166,075
Less: Impairment loss	**[4,200]**	[4,200]
	162,375	161,875

7. Investment in subsidiaries [contd.]

Details of the subsidiaries are as follows:

Name of subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest [%] 2007	2006
CCM Fertilizers Sdn Bhd and its subsidiaries:		Malaysia	Manufacture and marketing of fertilizers	**50.1**	50.1
Max Agriculture Sdn Bhd		Malaysia	Dormant	**50.1**	50.1
CCMF Agronomic and Technical Services Sdn Bhd*		Malaysia	Dormant	**50.1**	50.1
CCM Chemicals Sdn Bhd and its subsidiaries:		Malaysia	Manufacture and marketing of chlor-alkali 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	32	Malaysia	Manufacture of pharmaceutical and healthcare products	**100.0**	100.0
Usaha Pharma [M] Sdn Bhd [formerly known as Prima Health Pharmacy [Retail] Sdn Bhd]		Malaysia	Dormant	**100.0**	100.0
CCM Agriculture [Sabah] Sdn Bhd [formerly known as Kibaran Kemas Sdn Bhd]		Malaysia	Investment holding	**100.0**	100.0
CCM Marketing Sdn Bhd and its subsidiaries:		Malaysia	Trading and marketing of pharmaceuticals products	**100.0**	100.0
CCM Duopharma Biotech and its subsidiary:		Malaysia	Investment holding	**73.4**	73.4
Duopharma [M] Sendirian Berhad		Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	**73.4**	73.4

7. Investment in subsidiaries [contd.]

Name of subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest [%] 2007	2006
Euphorex Corporation Sdn Bhd		Malaysia	Investment holding	**100.0**	100.0
Liberal Wira 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**	100.00
P.T. CCM AgriPharma*		Indonesia	Importing and trading of fertilizers and pharmaceuticals products	**100.0**	100.0
CCM Siam Ltd*		Thailand	To engage in the business of fertilizers, chemicals and pharmaceuticals	**100.0**	-
Usaha Progresif Sdn Bhd		Malaysia	Investment holding	**100.0**	100.0
Upha Pharmaceutical Manufacturing [M] Sdn Bhd		Malaysia	Manufacture of pharmaceutical and healthcare products	**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	Marketing of pharmaceutical and healthcare products	**100.0**	100.0
CCM Agri-Max Sdn Bhd		Malaysia	Marketing of wide range of fertilizers	**100.0**	100.0
Innovax Sdn Bhd		Malaysia	Research and development of pharmaceutical products	**100.0**	100.0

7. Investment in subsidiaries [contd.]

Name of subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest [%] 2007	2006
Usaha Kimia [M] Sdn Bhd		Malaysia	Marketing of chlor-alkali and chemical products	**100.0**	100.0
CCM Investments Limited** and its subsidiary		British Virgin Islands	Investment holding	**100.0**	100.0
CCM International [Philippines], Inc***		Republic of Philippines	Distribution, importing and exporting of pharmaceuticals, chemicals and fertilizers product	**99.9**	-

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

On 1 October 2007, the Company acquired 300,000 ordinary shares of RM1.00 each in CCM Agriculture [Sabah] Sdn Bhd [formerly known as Kibaran Kemas Sdn Bhd] from another subsidiary for RM300,000 satisfied in cash. Accordingly, CCM Agriculture[Sabah] Sdn Bhd becomes wholly-owned subsidiary of the Company.

On 21 December 2007 the Group through a subsidiary, CCM Investment Ltd, has incorporated a new company in the Republic of Philippines under the name of CCM International [Philippines], Inc. with authorised and paid up share capital of RM661,000 [USD200,000 at USD1 per share].

8. Investment in associates

[in RM'000]	Group 2007	Group 2006	Company 2007	Company 2006
At cost:				
Unquoted shares	**1,408**	1,492	**-**	-
Share of post acquisition reserves	**3,822**	2,214	**-**	-
	5,230	3,706	**-**	-

8. Investment in associates [contd.]

	Country of of incorporation	Effective ownership interest	Revenue [100%]	Profit/ [Loss] [100%]	Total assets [100%]	Total liabilities [100%]
2007						
Orica-CCM						
Energy Systems Sdn. Bhd.	Malaysia	45.0%	23,867	5,049	13,917	3,885
2006						
Orica-CCM						
Energy Systems Sdn. Bhd.	Malaysia	45.0%	16,438	2,858	10,994	2,889

9. Other investments

[in RM'000]	Group **2007**	Group 2006	Company **2007**	Company 2006
Non-current				
At cost:				
Quoted shares - outside Malaysia	**7,753**	7,673	**-**	-
Unquoted shares	**1,244**	1,500	**-**	-
Commercial papers	**92**	92	**92**	92
	9,089	9,265	**92**	92
Market value:				
- quoted shares outside Malaysia	**8,046**	4,328	**-**	-
- commercial papers	**94**	97	**94**	97

No allowance for diminution in value was made as the Directors are of the view that there is no diminution in their value which is other than temporary.

Details of disposed investments stated at cost are as follows:

	Group **2007**	Group 2006	Company **2007**	Company 2006
Proceeds from disposal	**-**	137,478	**-**	88,540
Carrying amount of investments disposed	**-**	[74,814]	**-**	[59,942]
Gain on disposal of investments	**-**	62,664	**-**	28,598

10. Development expenditure

[in RM'000]	Group 2007	2006
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	
[in RM'000]	2007	2006	2007	2006	2007	2006
Group						
Property, plant and equipment	**396**	[462]	**38,824**	42,712	**39,220**	42,250
Provisions	**[2,301]**	[2,977]	**[361]**	24	**[2,662]**	[2,953]
Other items	**[352]**	[640]	**1,220**	53	**868**	[587]
Tax losses carried forward	**[1,009]**	[1,348]	**[78]**	-	**[1,087]**	[1,348]
Net tax [assets]/ liabilities	**[3,266]**	[5,427]	**39,605**	42,789	**36,339**	37,362
Company						
Property, plant and equipment	**[102]**	[456]	**17,363**	22,354	**17,261**	21,898
Provisions	**[577]**	[263]	**-**	-	**[577]**	[263]
Other items	**-**	-	**1,425**	53	**1,425**	53
Net tax [assets]/ liabilities	**[679]**	[719]	**18,788**	22,407	**18,109**	21,688

Unrecognised deferred tax assets

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

	Group 2007	2006
Tax losses carried forward	**24,060**	23,388
Other deductible temporary differences	**4,770**	5,031
	28,830	28,419

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders [more than 50%-applicable for domant 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 RM23,575,000 and RM4,770,000 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.

11. Deferred tax assets and liabilities [contd.]

Movement in temporary differences during the year

[in RM'000]	At 1.1.2006	Recognised in income statement [Note 24]	At 31.12.2006	Recognised in income statement [Note 24]	Recognised in equity [Note 24]	At 31.12.2007
Group						
Property, plant and equipment	39,129	3,121	42,250	[3,030]	-	39,220
Provisions	[3,561]	608	[2,953]	291	-	[2,662]
Other items	267	[854]	[587]	1,455	-	868
Tax losses carried forward	[1,270]	[78]	[1,348]	261	-	[1,087]
	34,565	2,797	37,362	[1,023]	-	36,339
Company						
Property, plant and equipment	22,016	[118]	21,898	[4,637]	-	17,261
Provisions	[420]	157	[263]	[314]	-	[577]
Other items	267	[214]	53	1,372	-	1,425
	21,863	[175]	21,688	[3,579]	-	18,109

Movements in unrecognised deferred tax assets during the year

[in RM'000]	At 1.1.2006	Additions	Recognition	At 31.12.2006	Additions	Recognition	At 31.12.2007
Group							
Tax losses carried forward	17,871	5,979	[462]	23,388	672	-	24,060
Other deductible temporary differences	6,507	-	[1,476]	5,031	-	[261]	4,770
	24,378	5,979	[1,938]	28,419	672	[261]	28,830

12. Receivables, deposits and prepayments

[in RM'000]	Note	Group 2007	Group 2006	Company 2007	Company 2006
Current					
Trade					
Trade receivables	a	**309,904**	282,509	**-**	-
Less: Allowance for doubtful debts		**[12,012]**	[12,564]	**-**	-
		297,892	269,945	**-**	-
Amount due from subsidiaries	b	**-**	-	**398,987**	476,505
Amount due from associate	c	**36**	72	**36**	72
		297,928	270,017	**399,023**	476,577
Non-trade					
Other receivables		**12,542**	7,367	**413**	453
Deposits		**2,907**	3,106	**289**	1,919
Prepayments		**4,310**	471	**147**	24
Amount due from subsidiaries	d	**-**	-	**168,667**	49,676
Amount due from associate	c	**117**	125	**-**	-
		19,876	11,069	**169,516**	52,072
		317,804	281,086	**568,539**	528,649

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:

Functional currency	Foreign currency	Group 2007	Group 2006	Company 2007	Company 2006
RM	USD	**54,671**	45,153	**-**	-
RM	SGD	**8,172**	12,359	**-**	-
RM	HKD	**437**	514	**-**	-
RM	INR	**1,179**	5,051	**-**	-
RM	BHT	**814**	-	**-**	-

Note b

During the year, the Company wrote off an amount due from a subsidiary amounting to RM1,251,000 [2006: RM1,850,000].

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

Note c

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

12. Receivables, deposits and prepayments [contd.]

Note d

The non-trade receivables due from subsidiaries are unsecured and interest-free and all balances are repayable on demand.

13. Inventories

[in RM'000]	Group 2007	2006
Raw materials	**37,702**	38,373
Work-in-progress	**4,624**	7,763
Finished products	**177,562**	137,077
Spares and consumables	**17,852**	19,863
	237,740	203,076

In 2007, the write-down of inventories to net realisable value amounted to RM654,000 [2006: RM1,005,000] and write-off of inventories amounted to RM1,709,000 [2006: RM1,625,000]. The write-down and write-off are included in cost of sales.

14. Assets classified as held for sale

[in RM'000]	Note	Group and Company 2007	2006
Property, plant and equipment	a	**-**	22,770

Note a

Property, plant and equipment held for sale comprise the following:

[in RM'000]	Group and Company 2007	2006
Freehold land and buildings:		
Cost	**-**	22,800
Accumulated depreciation	**-**	[30]
	-	22,770

15. Cash and cash equivalents

[in RM'000]	Group 2007	Group 2006	Company 2007	Company 2006
Deposits are placed with:				
- Licensed banks	**117,966**	192,727	**115,400**	106,310
- Other corporations	**-**	52,600	**-**	52,600
	117,966	245,327	**115,400**	158,910
Cash and bank balances	**75,524**	53,087	**1,456**	2,719
	193,490	298,414	**116,856**	161,629

16. Capital and reserves

	Group and Company			
	Amount 2007 RM'000	**Number of shares 2007 '000**	Amount 2006 RM'000	Number of shares 2006 '000
Share capital				
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	**392,977**	**392,977**	383,520	383,520
Issue of shares under the ESOS	**608**	**608**	1,814	1,814
Conversion of warrants	**8,978**	**8,978**	7,643	7,643
On issue at 31 December	**402,563**	**402,563**	392,977	392,977

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group [see below], all rights are suspended until those shares are reissued.

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, plant and equipment.

16. Capital and reserves [contd.]

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 2007, the Group held 2,998,000 [2006: 2,998,000] of the Company's shares.

Details of the resale of treasury shares were as follows:

	Average resale price	Highest resale price	Lowest resale price	Number of treasury share	Total consideration received
2007					
January	-	-	-	-	-
2006					
January	3.14	3.22	3.10	2,890,000	9,022,000

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income to frank RM225,109,000 [2006: RM180,608,000] of its distributable reserves at 31 December 2007 if paid out as dividends.

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

17. Loans and borrowings [unsecured]

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 28.

[in RM'000]	Note	Group **2007**	Group 2006 Restated	Company **2007**	Company 2006 Restated
Non-current					
Unsecured term loan		**70,000**	90,000	**70,000**	90,000
Unsecured bond issues	a	**200,000**	200,000	**200,000**	200,000
		270,000	290,000	**270,000**	290,000
Current					
Unsecured bank overdrafts		**16,592**	1,775	**-**	-
Unsecured bankers' acceptances		**103,115**	89,007	**-**	-
Unsecured revolving credits		**31,560**	33,150	**-**	-
Unsecured foreign currency loan		**1,523**	-	**-**	-
Unsecured term loan		**20,000**	10,000	**20,000**	10,000
		172,790	133,932	**20,000**	10,000

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] [contd.]

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;
v. 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.

Terms and debt repayment schedule

[in RM'000]	Year of maturity	Carrying amount	Under 1 year	1 - 2 years	2 - 5 years	Over 5 years
Group						
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	-
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	-	-	-
		152,790	152,790	-	-	-
2006						
Unsecured term loan	2010	100,000	10,000	20,000	35,000	35,000
Unsecured bond issues	2009	200,000	-	-	200,000	-
		300,000	10,000	20,000	235,000	35,000
Unsecured bank overdrafts	2007	1,775	1,775	-	-	-
Unsecured bankers' acceptance	2007	89,007	89,007	-	-	-
Unsecured revolving credits	2007	33,150	33,150	-	-	-
		123,932	123,932	-	-	-

17. Loans and borrowings [unsecured] [contd.]

[in RM'000]	Year of maturity	Carrying amount	Under 1 year	1 - 2 years	2 - 5 years	Over 5 years
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	-
2006						
Unsecured term loan	2010	100,000	10,000	20,000	35,000	35,000
Unsecured bond issues	2009	200,000	-	-	200,000	-
		300,000	10,000	20,000	235,000	35,000

18. Employee benefits

Share-based payments

On 18 December 2002, the Group established an Employee's Share Option Scheme [ESOS] that entitles Directors and employees to purchase ordinary shares in the Company at an exercise price of RM1.36 per ordinary share of RM1.00 each. The Executive Directors have opted not to participate in this scheme.

Share options arrangement granted before 1 January 2005 exist. As allowed by the transitional provisions in FRS 2, the recognition and measurement principles in FRS 2 have not been applied to these grants.

The terms and conditions of the grants are as follows; all options are to be settled by physical delivery of shares:

Grant date/employees entitled	Number of instruments ['000]	Vesting conditions	Contractual life of options
Option granted to key management on 18 December 2002	17,608*	3 years service and 50% of options execisable	5 years
		4 years service and 75% of options execisable	
		5 years service and 100% of options execisable	

*The recognition and measurement principles in FRS 2 have not been applied to these grants as they were granted prior to the effective date of FRS 2.

18. Employee benefits [contd.]

The number and weighted average exercise prices of share options are as follows:

[in '000]	**Number of options 2007**	Number of options 2006
Outstanding at 1 January	**829**	2,643
Exercised during the year	**[608]**	[1,814]
Lapsed during the year	**[221]**	-
Outstanding and exercisable at 31 December	**-**	829

During the year, 608,000 [2006: 1,814,000] share options were exercised. The weighted average share price for the year was RM3.14 [2006: RM3.28].

The ESOS expired on 18 December 2007. The unexercised number of shares as at 18 December 2007 is 221,115 shares.

19. Provisions

	Warranties		Restructuring		Total	
[in RM'000]	**2007**	2006	**2007**	2006	**2007**	2006
Group						
At 1 January 2007	**1,025**	1,092	**1,419**	-	2,444	1,092
Provision made during the year	**24**	-	**-**	1,419	24	1,419
Provision used during the year	**[1,025]**	[67]	**[1,419]**	-	[2,444]	[67]
At 31 December 2007	**24**	1,025	**-**	1,419	24	2,444

Company

	Restructuring	
	2007	2006
At 1 January 2007	**1,419**	-
Provision made during the year	**-**	1,419
Provision used during the year	**[1,419]**	-
At 31 December 2007	**-**	1,419

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.

20. Payables and accruals

[in RM'000]	Note	Group 2007	Group 2006	Company 2007	Company 2006
Trade					
Trade payables	a	**120,270**	124,554	**-**	-
Non-trade					
Other payables		**17,848**	20,185	**379**	1,164
Accured expenses		**23,614**	23,626	**2,388**	2,876
Amount due to subsidiaries	b	**-**	-	**34,796**	41,762
		41,462	43,811	**37,563**	45,802
		161,732	168,365	**37,563**	45,802

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:

Funtional currency	Foreign currency	Group 2007	Group 2006	Company 2007	Company 2006
RM	USD	**27,278**	23,804	**-**	-
RM	SGD	**473**	1,744	**-**	-
RM	AUD	**496**	534	**-**	-
RM	INR	**-**	1,000	**-**	-
RM	Euro	**1,203**	12,000	**-**	-
RM	GBP	**59**	-	**-**	-
RM	BHT	**76**	-	**-**	-

Note b

The non-trade payables due to subsidiaries are unsecured, interest-free, and repayable on demand, except for amount due to CCM Fertilizers Sdn Bhd at interest rate of 3.45% [2006: BLR + 0.25% for the first 3 months].

21. Revenue

[in RM'000]	Group 2007	Group 2006	Company 2007	Company 2006
Sales	**1,395,844**	1,109,005	**-**	-
Services	**401**	-	**-**	-
Rental income from investment properties	**1,023**	1,055	**4,695**	4,976
	1,397,268	1,110,060	**4,695**	4,976

22. Operating profit

[in RM'000]	Note	Group 2007	Group 2006 restated	Company 2007	Company 2006
Operating profit is arrived at after charging:					
Allowance for doubtful debts		**552**	1,698	**-**	-
Amortisation of prepaid lease payments		**2,327**	447	**-**	-
Auditors' remuneration					
- Statutory Audit					
- Auditor of the company		**308**	274	**34**	34
- Other auditors		**103**	45	**-**	-
- Other services by auditor of the company		**24**	196	**18**	190
Bad debts written off		**61**	2	**-**	-
Depreciation of property, plant and equipment	3	**30,449**	28,735	**807**	655
Loss on disposal of property, plant and equipment		**193**	-	**287**	-
Loss on disposal of an associate		**-**	17	**-**	-
Inter-company advances written off	12	**-**	-	**1,251**	1,850
Interest expense:					
- Subsidiaries		**-**	-	**251**	81
- Related companies		**-**	-	**-**	204
- Bank overdraft		**10,207**	10,182	**10,117**	10,019
- Revolving credits		**1,933**	1,117	**-**	-
- Bankers' acceptances		**3,248**	4,048	**-**	-
- Foreign currency loan		**-**	-	**-**	-
- Other borrowings		**318**	230	**-**	-
Loss on damaged goods		**10**	877	**-**	-
Property, plant and equipment written off		**54**	1,611	**-**	-
Rental expenses on property leases		**6,064**	6,793	**644**	650
Rental expenses on equipment		**183**	846	**-**	-
Research and development costs expensed as incurred		**3,997**	435	**-**	-
Provision for restructuring		**-**	1,419	**-**	1,419
Personnel expenses [including key management personnel]					
- Contribution to Employees Provident Fund		**9,442**	8,531	**661**	590
- Wages, salaries and others		**73,171**	57,043	**6,298**	4,868
Write-down of inventories		**654**	1,005	**-**	-
Write-off of inventories		**1,709**	1,625	**-**	-
Unrealised loss on foreign exchange		**1,782**	-	**-**	-

22. Operating profit [contd.]

[in RM'000]	Note	Group 2007	Group 2006 restated	Company 2007	Company 2006
and after crediting:					
Bad debts written back		**1,558**	776	**-**	-
Claim from damage goods		**1,097**	27	**-**	-
Change in fair value of investment properties		**8,343**	-	**6,006**	-
Dividend income from:					
- Subsidiaries [unquoted]		**-**	-	**81,636**	93,621
- Associate		**135**	-	**-**	-
Gain on disposal of other investments	9	**-**	62,664	**-**	28,598
Gain on disposal of property, plant and equipment		**3,642**	1,379	**3,548**	38
Interest income:					
- Subsidiaries		**-**	-	**30**	274
- Associate		**4**	-	**-**	-
- Fixed deposits		**5,357**	10,941	**5,327**	8,242
- Commercial bonds		**128**	150	**128**	462
- Others		**1,971**	59	**-**	-
Net foreign exchange gain		**-**	783	**-**	-
Rental income from property subleases		**1,007**	1,163	**-**	-
Royalty income		**-**	-	**-**	43

23. Key management personnel compensation

	Group 2007	Group 2006	Company 2007	Company 2006
Director				
- Fees	**582**	534	**495**	525
- Remuneration	**892**	1,015	**892**	1,015
Other short term employee benefits [including estimated monetary value of benefits-in-kind]	**186**	180	**186**	180
	1,660	1,729	**1,573**	1,720

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.

	Group 2007	Group 2006	Company 2007	Company 2006
Other key management personnel:				
- Remuneration	**683**	569	**683**	569
Other short term employee benefits [including estimated monetary value of benefits-in-kind]	**15**	12	**15**	12
	698	581	**698**	581

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.

24. Tax expense

Recognised in the income statement

	Note	Group 2007	Group 2006	Company 2007	Company 2006
Tax expense		**21,952**	17,343	**15,505**	8,357
Share of tax of equity accounted associate		**613**	224	**-**	-
Total tax expense		**22,565**	17,567	**15,505**	8,357
Major components of tax expense include:					
Current tax expense					
Malaysian:					
- current year		**21,817**	15,378	**19,033**	9,387
- prior year		**699**	[1,423]	**51**	[855]
Overseas:					
- current year		**459**	661	**-**	-
- prior year		**-**	[70]	**-**	-
Total current tax		**22,975**	14,546	**19,084**	8,532
Deferred tax expense					
Origination and reversal of temporary differences		**[1,975]**	2,119	**[3,579]**	[175]
Overprovision from prior year		**1,138**	-	**-**	-
[Write-down] / Reversal of a previous write-down of deferred tax assets		**[186]**	678	**-**	-
Total deferred	11	**[1,023]**	2,797	**[3,579]**	[175]
Share of tax of equity accounted associate		**613**	224	**-**	-
Total tax expense		**22,565**	17,567	**15,505**	8,357

Reconciliation of effective tax expenses

[in %]	Group 2007	Group 2006	Company 2007	Company 2006
Profit before tax	**100**	100	**100**	100
Tax calculated using Malaysian tax rate of 27% [2006: 28%]	**27**	28	**27**	28
Non-deductible expenses	**1**	1	**-**	-
Tax exempt income	**[7]**	[13]	**[9]**	[16]
Other items	**[3]**	[2]	**2**	[4]
Under/[over] provided in prior years	**3**	[1]	**-**	[1]
	21	13	**20**	7

24. Tax expense [contd.]

With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2008 also announced the reduction of corporate tax rate to 26% with effect from year of assessment 2008 and to 25% with effect from year of assessment 2009 respectively. Consequently deferred tax assets and liabilities are measured using these tax rates.

Tax savings arising from tax losses

		Group	
	Note	**2007**	2006
Tax savings arising from utilisation of prior year tax losses previously unrecognised	11	**-**	462

25. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2007 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2007	2006
Profit for the year attributable to ordinary shareholders	**62,718**	104,272

Weighted average number of ordinary shares

	Group	
	2007	2006
Issued ordinary shares at 1 January	**392,977**	383,520
Effect of treasury shares held	**-**	[1,886]
Effect of ordinary shares issued in 2007/2006	**5,642**	5,879
Weighted average number of ordinary shares at 31 December	**398,619**	387,513

	Group	
[in sen]	**2007**	2006
Basic earnings per ordinary share	**15.7**	26.9

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2007 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:

25. Earnings per ordinary share [contd.]

	Group 2007	2006
Profit for the year attributable to shareholders	**62,718**	104,272
Interest expense on convertible notes, net of tax	**1,716**	1,976
Profit attributable to ordinary shareholders	**64,434**	106,248

Weighted average number of ordinary shares diluted

	Group 2007	2006
Weighted average number of ordinary shares at 31 December	**398,619**	387,513
Effect of conversion of warrants	**57,508**	66,578
Effect of share options on issue	**-**	701
Weighted average number of ordinary shares [diluted] at 31 December	**456,127**	454,792

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.

[in sen]	Group 2007	2006
Diluted earnings per ordinary share	**14.1**	23.4

26. Dividends

Dividends recognised in the current year by the Company are:

2007	Sen per share [net of tax]	Total amount	Date of payment
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	
2006			
Interim 2006 ordinary	6.5	25,243	29 September 2006
Final 2005 ordinary	6.5	25,179	8 June 2006
Special 2005 ordinary	5.0	19,428	8 June 2006
Total amount		69,850	

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 2007 ordinary	7.40

27. 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.

27. **Segment reporting [contd.]**

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.

All geographical segments are mostly Malaysian based.

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

	Fertilizers		Chemicals		Pharmaceuticals	
[in RM'000]	**2007**	2006	**2007**	2006	**2007**	2006
Business Segments						
Total external revenue	**723,387**	535,565	**456,769**	369,357	**214,846**	204,083
Inter-segment revenue	**389**	-	**54,292**	46,422	**2,564**	714
Total segment revenue	**723,776**	535,565	**511,061**	415,779	**217,410**	204,797
Segment result	**37,416**	16,224	**15,708**	22,695	**55,381**	50,579
Interest income						
Finance costs						
Share of profit of equity accounted associates						
Tax expense						
Profit for the year						

	Others		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	2,266	1,055	**-**	-	**1,397,268**	1,110,060
	6,661	5,362	**[63,906]**	[52,498]	**-**	-
	8,927	6,417	**[63,906]**	[52,498]	**1,397,268**	1,110,060
	78,723	145,129	**[75,090]**	[92,758]	**112,138**	141,869
					7,460	11,150
					[15,706]	[15,577]
					1,659	926
					[21,952]	[17,343]
					83,599	121,025

27. Segment reporting [contd.]

[in RM'000]	Fertilizers 2007	Fertilizers 2006	Chemicals 2007	Chemicals 2006	Pharmaceuticals 2007	Pharmaceuticals 2006
Segment assets	**334,063**	289,879	**348,228**	276,482	**355,134**	364,850
Investment in associate	**-**	-	**5,159**	3,635	**-**	-
Total assets						
Segment liabilities	**204,015**	179,185	**185,070**	155,827	**148,359**	140,093
Unallocated liabilities						
Total liabilities						
Capital expenditure	**21,691**	27,815	**10,594**	8,836	**36,614**	23,338
Depreciation and amortisation	**3,487**	2,937	**16,357**	15,354	**9,373**	9,326

28. 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 ongoing 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 financial institutions 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 assets 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.

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.

	Others		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	1,227,654	1,526,551	**[784,552]**	[983,515]	**1,480,527**	1,474,247
	-	-	**71**	71	**5,230**	3,706
					1,485,757	1,477,953
	394,026	466,569	**[612,688]**	[642,019]	**318,782**	299,655
					328,563	340,247
					647,345	639,902
	19,319	12,859	**-**	[1,587]	**88,218**	71,261
	3,559	1,565	**-**	-	**32,776**	29,182

28. Financial instruments [contd.]

[in RM'000]	Note	Average effective interest rate [%]	Total	Less than 1 year	1 - 5 years
					2007
Group					
Floating rate instruments					
Bank overdraft	17	**7.00**	**[16,592]**	**[16,592]**	**-**
Bankers' acceptances	17	**3.81**	**[103,115]**	**[103,115]**	**-**
Revolving credits	17	**4.00**	**[31,560]**	**[31,560]**	**-**
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**	**-**
Bonds	17	**4.49**	**[200,000]**	**-**	**[200,000]**
Unsecured fixed term loan	17	**4.19**	**[90,000]**	**[20,000]**	**[70,000]**
			[324,732]	**[54,732]**	**[270,000]**
Company					
Fixed rate instruments					
Deposits	15	**3.50**	**115,400**	**115,400**	**-**
Commercial papers	9	**6.45**	**92**	**92**	
Bonds	17	**4.49**	**[200,000]**	**-**	**[200,000]**
Unsecured fixed term loan	17	**4.19**	**[90,000]**	**[20,000]**	**[70,000]**
			[174,508]	**95,492**	**[270,000]**

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 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.

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.

			2006
Average effective interest rate [%]	Total	Less than 1 year	1 - 5 years
7.00	[1,775]	[1,775]	-
3.76	[89,007]	[89,007]	-
4.44	[33,150]	[33,150]	-
-	-	-	-
3.87	245,327	245,327	-
6.45	92	92	-
4.49	[200,000]	-	[200,000]
4.19	[100,000]	[10,000]	[90,000]
	[178,513]	111,487	[290,000]
3.87	158,910	158,910	-
6.45	92	92	-
4.49	[200,000]	-	[200,000]
4.19	[100,000]	[10,000]	[90,000]
	[140,998]	149,002	[290,000]

28. Financial instruments [contd.]

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

[in RM'000]	**2007 Carrying amount**	**2007 Fair value**	2006 Carrying amount	2006 Fair value
Group				
Financial assets				
Investments in quoted shares	**7,673**	**8,046**	7,673	4,328
Commercial papers	**92**	**94**	92	97
	7,765	**8,140**	7,765	4,425
Financial liabilities				
Bonds	**200,000**	**192,826**	200,000	190,424
Unsecured fixed rate term loan	**90,000**	**90,597**	100,000	99,406
	290,000	**283,423**	300,000	289,830
Company				
Financial assets				
Investments in quoted shares	**-**	**-**	-	-
Commercial papers	**92**	**94**	92	97
	92	**94**	92	97
Financial liabilities				
Bonds	**200,000**	**192,826**	200,000	190,424
Unsecured fixed rate term loan	**90,000**	**90,597**	100,000	99,406
	290,000	**283,423**	300,000	289,830

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.

29. Capital and other commitments

[in RM'000]	Group 2007	Group 2006	Company 2007	Company 2006
Capital expenditure commitments				
Plant and equipment				
Authorised but not contracted for	**62,333**	35,634	**9,603**	2,000
Contracted but not provided for	**6,983**	60,486	**564**	117
	69,316	96,120	**10,167**	2,117

30. 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].

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

[in RM'000]	Transactions amount for the year ended 31 December	Gross balance outstanding at 31 December	Net balance outstanding at 31 December	Allowance for doubtful receivables at 31 December	Bad or doubtful receivables recognised for the year end 31 December
Group					
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	-	-
Subsidiaries of significant investor that have influence over the subsidiary in the Group					
Sales					
TH Plantations	12,945	2,698	2,698	-	-
P.T. Multigambut Industri	3,632	-	-	-	-

30. Related parties [contd.]

[in RM'000]	Transactions amount for the year ended 31 December	Gross balance outstanding at 31 December	Net balance outstanding at 31 December	Allowance for doubtful receivables at 31 December	Bad or doubtful receivables recognised for the year end 31 December
2006					
Associate					
Balances in respect on non-trade transaction					
Orica-CCM Energy Systems Sdn Bhd	-	197	197	-	-
Subsidiaries of significant investor that have influence over the subsidiary in the Group					
Sales					
TH Plantations	11,553	-	-	-	-
P.T. Multigambut Industri	36,357	-	-	-	-
Company					
2007					
Subsidiaries					
Interest expense					
CCM Fertilizers Sdn Bhd	148	-	-	-	-
CCM Chemicals Sdn Bhd	77	-	-	-	-
Rental income					
CCM Fertilizers Sdn Bhd	3,314	-	-	-	-
CCM Chemicals Sdn Bhd	363	-	-	-	-
Shared cost income					
CCM Fertilizers Sdn Bhd	2,500	276	276	-	-
CCM Chemicals Sdn Bhd	2,500	2,100	2,100	-	-
UPHA Pharmaceuticals Manufacturing [M] Sdn Bhd	2,500				
CCM Duopharma Biotech Berhad	2,500				
Waiver of debt expense					
Usaha Pharma [M] Sdn Bhd [formerly known as Prima Health Pharmacy [Retail] Sdn Bhd]	1,251	-	-	-	-

30. Related parties [contd.]

[in RM'000]	Transactions amount for the year ended 31 December	Gross balance outstanding at 31 December	Net balance outstanding at 31 December	Allowance for doubtful receivables at 31 December	Bad or doubtful receivables recognised for the year end 31 December
2007					
Subsidiaries					
Balances in respect of non-trade transaction					
Amount owing from:					
CCM Pharmaceuticals Sdn Bhd	-	13,638	13,638	-	-
UPHA Pharmaceuticals Manufacturing [M] Sdn Bhd	-	19,094	19,094	-	-
CCM Pharma [M] Sdn Bhd	-	27,252	27,252	-	-
Usaha Pharma [M] Sdn Bhd [formerly known as Prima Health Pharmacy [Retail] 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 Investment Ltd	-	27,041	27,041	-	-
CCM International Sdn Bhd	-	3,364	3,364	-	-
CCM International [Philipines], Inc	-	42	42	-	-
CCM Siam Ltd	-	299	299	-	-
CCM Marketing Sdn Bhd	-	321,678	321,678	-	-
CCM Agriculture Sdn Bhd	-	21,787	21,787	-	-
Usaha Kimia [M] Sdn Bhd	-	82	82	-	-
CCM Agri-Max Sdn Bhd	-	39	39	-	-
Innovax Sdn Bhd	-	1,192	1,192	-	-
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	-	-

30. Related parties [contd.]

[in RM'000]	Transactions amount for the year ended 31 December	Gross balance outstanding at 31 December	Net balance outstanding at 31 December	Allowance for doubtful receivables at 31 December	Bad or doubtful receivables recognised for the year end 31 December
Company					
2006					
Subsidiaries					
Interest expense					
CCM Fertilizers Sdn Bhd	274	-	-	-	-
CCM Chemicals Sdn Bhd	81	-	-	-	-
Rental income					
CCM Fertilizers Sdn Bhd	3,314	-	-	-	-
CCM Chemicals Sdn Bhd	393	-	-	-	-
Shared cost income					
CCM Fertilizers Sdn Bhd	1,500	-	-	-	-
CCM Chemicals Sdn Bhd	1,500	-	-	-	-
UPHA Pharmaceuticals Manufacturing [M] Sdn Bhd	1,500	-	-	-	-
CCM Duopharma Biotech Berhad	1,500	-	-	-	-
Waiver of debt expense					
Usaha Pharma Sdn Bhd [formerly known as Prima Health Pharmacy [Retail] Sdn Bhd]	1,850	-	-	-	-
Balances in respect of non-trade transaction					
Amount owing from:					
CCM Pharmaceuticals Sdn Bhd	-	9,482	9,482	-	-
UPHA Pharmaceuticals Manufacturing [M] Sdn Bhd	-	23,134	23,134	-	-
CCM Pharma Sdn Bhd	-	315	315	-	-
Usaha Pharma [M] Sdn Bhd [formerly known as Prima Health Pharmacy [Retail] Sdn Bhd]	-	5	5	-	-
CCM Fertilizers Sdn Bhd	-	7,420	7,420	-	-
CCM Duopharma Biotech Berhad	-	297	297	-	-
PT CCM Indonesia	-	13,918	13,918	-	-
PT CCM Agripharma	-	7,885	7,885	-	-
CCM Chemicals Sdn Bhd	-	8,350	8,350	-	-
CCM Investment Ltd	-	84,398	84,398	-	-
CCM International Sdn Bhd	-	491	491	-	-
CCM Siam Ltd	-	167	167	-	-

30. Related parties [contd.]

[in RM'000]	Transactions amount for the year ended 31 December	Gross balance outstanding at 31 December	Net balance outstanding at 31 December	Allowance for doubtful receivables at 31 December	Bad or doubtful receivables recognised for the year end 31 December
Balances in respect of non-trade transaction					
Amount owing from:					
CCM Marketing Sdn Bhd	-	319,516	319,516	-	-
Usaha Kimia [M] Sdn Bhd	-	9	9	-	-
CCM Agri-Max Sdn Bhd	-	15	15	-	-
Innovax Sdn Bhd	-	1,103	1,103	-	-
Advances owing from:					
CCM Agriculture Sdn Bhd	-	22,407	22,407	-	-
CCM International Sdn Bhd	-	1,500	1,500	-	-
CCM Agri-Max Sdn Bhd	-	25,769	25,769	-	-
Amount owing to:					
CCM Singapore Sdn Bhd	-	38	38	-	-
CCM International Sdn Bhd	-	16,320	16,320	-	-
CCM Agriculture [Sabah] Sdn Bhd	-	2,618	2,618	-	-
Liberal Wira Sdn Bhd	-	867	867	-	-
Euphorex Corporation Sdn Bhd	-	1,044	1,044	-	-
CCM Agriculture Sdn Bhd	-	308	308	-	-
Usaha Progresif Sdn Bhd	-	2,361	2,361	-	-
CCM Investment Limited	-	18,656	18,656	-	-
Balance in respect of non-trade balance					
Amount owing from:					
Orica-CCM Energy Systems Sdn Bhd	-	72	72	-	-

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 2007 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.

31. Subsequent events

On 25 January 2008, the Company has entered into a Conditional Share Sale Agreement for the acquisition of 9,567,502 ordinary shares of RM1.00 each representing approximately 97.14% of the issued and fully paid up ordinary shares in Enersave Water Sdn Bhd for a total purchase consideration of RM38.28 million.

32. Significant events

On 2 April 2007, the Group through a subsidiary, CCM Pharma Sdn Bhd, has entered into a Sale and Purchase Agreement with Malayan Pharmaceutical Sdn Bhd ["MPSB"] in respect of the purchase of brands, product rights and fixed assets of MPSB for a total consideration of RM22.0 million.

33. Comparative figures

The following comparative figures have been restated to reflect the effect of adoption of FRS117, Leases on the current year's financial statement.

[in RM'000]	Group As restated	Group As previously stated	Company As restated	Company As previously stated
Balance sheets				
Property, plant and equipment	243,107	352,376	-	-
Prepaid lease payments	109,269	-	-	-
Cash flow statements				
Depreciation on property, plant and equipment	28,735	29,182	-	-
Amortisation on prepaid lease payment	447	-	-	-
Notes to the financial statements				
Operating profit				
Depreciation on property, plant and equipment	28,735	29,182	-	-
Amortisation on prepaid lease payment	447	-	-	-

The leasehold land of the Group with carrying values of RM109,269,000 as at 31 December 2006 respectively was reclassified from property, plant and equipment to prepaid lease payments to comply with requirements of FRS 117, *Leases*.

The presentation and classification of certain items in the financial statements have been amended. Accordingly, comparative amounts for those items have been reclassified to ensure comparatively with the current year.

[in RM'000]	Group As restated	Group As previously stated	Company As restated	Company As previously stated
Balance sheets				
Current liabilities				
Loans and borrowings [unsecured]	290,000	300,000	290,000	300,000
Non current liabilities				
Loans and borrowings	133,932	123,932	10,000	-
Notes to the financial statements				
Loans and borrowings [unsecured]				
Non-current				
Unsecured term loans	90,000	100,000	90,000	100,000
Current				
Unsecured term loans	10,000	-	10,000	-

Analysis of shareholdings

as at 31 March 2008

Authorized Share Capital	: RM800,000,000
Issued and Paid-up Share Capital	: RM402,594,065
Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	: One vote per ordinary share

Distribution of shareholdings as at 31 March 2008

Size of shareholdings	No. of shareholders	% of shareholders	No. of share	% of issued share capital
Less than 100	191	4.60	4,575	0.00
100 - 1,000	718	17.28	580,126	0.14
1,001 – 10,000	2,441	58.73	10,639,522	2.64
10,001 – 100,000	730	17.56	20,324,774	5.05
100,001 to less than 5% of issued shares	73	1.76	91,531,308	22.74
5% and above of issued shares	3	0.07	279,513,760	69.43
	4,156	100.0	402,594,065	100.00

Substantial shareholders as at 31 March 2008

Names	No.	Direct Holdings %	No.	Indirect Holdings %
1. Amanah Raya Nominees [Tempatan] Sdn Bhd Skim Amanah Saham Bumiputera	184,749,500	45.89	-	-
2. Permodalan Nasional Berhad	54,989,660	13.66	-	-
3. Yayasan Pelaburan Bumiputra[a]			54,989,660	13.66
4. Employees Provident Fund Board	39,774,600	9.88	-	-

[a]Deemed interest by virtue of its substantial interest in Permodalan Nasional Berhad pursuant to Section 6A of the Companies Act, 1965.

Directors' shareholdings

Names	No.	Direct %	No.	Indirect %
1. Dato' N. Sadasivan	200,000	0.05	-	-