FINANCIAL STATEMENTS

’06

Directors' Report FOR THE YEAR ENDED 31 DECEMBER 2006 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-fifth annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2006. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 28 May 2007.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding and management company with subsidiaries and associates engaged in the manufacture and marketing of fertilizers, chlor-alkali and coagulant products, pharmaceuticals and healthcare products and the marketing of a wide range of chemicals as stated in Note 6. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group (RM'000)	Company (RM'000)
Profit for the year	104,272	103,452

RESERVES AND PROVISIONS

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

DIVIDENDS

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

(i) a final ordinary dividend of 9.0 sen per ordinary share less tax at 28% and a special dividend of 5.0 sen per ordinary share, tax exempt, totalling RM25,179,000 (6.5 sen net per ordinary share) and RM19,428,000, respectively, in respect of the financial year ended 31 December 2005 on 8 June 2006; and

(ii) an interim ordinary dividend of 9.0 sen per ordinary share less tax at 28% totalling RM25,243,000 (6.5 sen net per ordinary share) in respect of the financial year ended 31 December 2006 on 29 September 2006.

The final ordinary dividends recommended by the Directors in respect of the year ended 31 December 2006 is 9.0 sen per ordinay share less tax at 27% (6.5 sen net per ordinary shares) and a special dividend of 6.0 sen per ordinary share, tax exempt, which if approved will be paid on 15 June 2007 to shareholders registered at the close of business on 6 June 2007.

Directors' Report FOR THE YEAR ENDED 31 DECEMBER 2006 AND
Statement by Directors PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

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
Tan Sri Dato' Dr. Mohamed Yusof bin Hashim
Dato' Seri Mohd Hussaini bin Haji Abdul Jamil
Sreesanthan a/l Eliathamby
Dato' Kalsom binti Abdul Rahman
Jamiah binti Abdul Hamid
Abdul Rahim bin Abdul Hamid
Tan Sri Dato' David Chiu (resigned on 18 April 2006)
Tang Seng Mun (alternate Director to Tan Sri Dato' David Chiu) (resigned on 18 April 2006)

DIRECTORS' INTERESTS

The holdings in the ordinary shares of the Company (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1 January 2006	Bought	Sold	At 31 December 2006
Direct interest				
Shareholdings in the Company:				
Dato' N. Sadasivan	200,000	–	–	200,000
	Number of warrants of RM1 each			
	At 1 January 2006	**Bought**	**Sold**	**At 31 December 2006**
Direct interest				
Shareholdings in the Company:				
Dato' N. Sadasivan	50,000	–	–	50,000

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.

DIRECTORS' INTERESTS (CONT'D.)

None of the other Directors holding office at 31 December 2006 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.

ISSUE OF SHARES

During the financial year, the Company issued 9,456,480 ordinary shares of RM1.00 each at par for cash arising from:

(i) conversion of 21,464 Warrants-A on the basis of one ordinary share at the price of RM2.86 per ordinary share for every warrant held;

(ii) conversion of 7,621,016 Warrants-B on the basis of one ordinary shares at the price of RM1.36 per ordinary share for every warrant held; and

(iii) subscription of 1,814,000 ordinary shares at the price of RM1.36 per ordinary share through the Employees' 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, 3% Redeemable Non-Guaranteed Unsecured Bonds 1996/2001 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:

Date of Offer	Number of options over ordinary shares of RM1 each				
	Exercise Price	At 1 January 2006	Exercised	Lapsed	At 31 December 2006
18.12.2002	1.36	2,513,000	1,814,000	–	699,000

2) Warrants

On 8 February 1996, the Company issued RM150,000,000 nominal amount of 3% Redeemable Non-Guaranteed Unsecured Bonds 1996/2001 together with 44,539,350 (adjusted to 89,078,700 after the bonus issue) detachable warrants (hereinafter termed "Warrants-A") at 100% of the nominal value of the Bonds to Bumiputra Merchant Bankers Berhad as primary subscriber.

On 26 April 1996, the primary subscriber offered for sale 44,539,350 (adjusted to 89,078,700 after the bonus issue in 2000) Warrants-A at an offer price of RM0.426 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-A confer upon the registered holder the right to subscribe for one ordinary share ("New Share") of RM1.00 each in the Company at an exercisable price of RM5.90 (adjusted to RM2.95 after the bonus issue) for each New Share, subject to adjustments under certain circumstances in accordance with the Deed Poll dated 5 February 1996, at any time during the period of three (3) years and nine (9) months commencing from the date of the first anniversary of issue of the warrants.

The Company obtained approval from the shareholders and Warrant-A holders at an extra-ordinary general meeting and warrant holders' meeting held on 22 April 1999 to extend the duration and exercise period of the Company's warrants to ten (10) years, up to and including 7 February 2006.

In accordance with the Deed Poll of the 88,982,134 Warrants-A 1996/2006, the exercise price of the outstanding warrants was adjusted from RM2.95 to RM2.86.

During the year, the subscription period of the Warrants-A of 44,539,350 (adjusted to 89,078,700 after the bonus issue in 2000) at an exercise price of RM2.86 has expired on 7 February 2006. Accordingly, the outstanding warrants as at 7 February 2006 of 88,741,885 has lapsed.

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.

Directors' Report FOR THE YEAR ENDED 31 DECEMBER 2006 AND Statement by Directors PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

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 2006 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 86 to 150 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities 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 2006 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 EVENTS

On 30 March 2007, the Group through a subsidiary, Prima Health Pharmacy (Retail) Sdn. Bhd. has closed down all its pharmacy outlets. Prima Health Pharmacy (Retail) Sdn. Bhd. remained dormant thereafter.

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.

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,

Date: 19 April 2007

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 86 to 150 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 19 April 2007.

AHMAD MUSTAFFA BIN ABDUL MANAF

Before me:

Report of the Auditors

TO THE MEMBERS OF CHEMICAL COMPANY OF MALAYSIA BERHAD

We have audited the financial statements set out on pages 86 to 150. 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 accounting standards for entities other than private entities 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 2006 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 6 to the financial statements and we have considered their financial statements and the auditors' reports thereon. We have also considered the unaudited financial statements of CCM Investments Limited.

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,

Date: 19 April 2007

BalanceSheets

AT 31 DECEMBER 2006

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	2006	2005 restated	2006	2005 restated
Assets					
Property, plant and equipment	3	**352,376**	412,639	**18,866**	180,019
Intangible assets	4	**208,192**	189,722	**63**	63
Investment properties	5	**76,598**	–	**149,869**	–
Investment in subsidiaries	6	**–**	–	**161,875**	161,593
Investment in associates	7	**3,706**	4,241	**–**	119
Other investments	8	**9,265**	74,906	**92**	60,034
Development expenditure	9	**–**	–	**–**	–
Deferred tax assets	10	**5,427**	5,978	**–**	–
Total non-current assets		**655,564**	687,486	**330,765**	401,828
Receivables, deposits and prepayments	11	**281,086**	204,788	**528,649**	391,304
Inventories	12	**203,076**	167,839	**–**	–
Current tax assets		**17,043**	5,536	**9,512**	2,803
Assets classified as held for sale	13	**22,770**	–	**22,770**	–
Cash and cash equivalents	14	**298,414**	295,521	**161,629**	208,605
Total current assets		**822,389**	673,684	**722,560**	602,712
Total assets		**1,477,953**	1,361,170	**1,053,325**	1,004,540
Equity					
Share capital	15	**392,977**	383,520	**392,977**	383,520
Reserves		**56,378**	56,710	**31,532**	43,578
Retained earnings		**289,106**	242,944	**259,907**	201,800
Total equity attributable to shareholders of the Company		**738,461**	683,174	**684,416**	628,898
Minority interest		**99,590**	95,484	**–**	–
Total equity		**838,051**	778,658	**684,416**	628,898
Liabilities					
Loans and borrowings (unsecured)	16	**300,000**	300,000	**300,000**	300,000
Deferred tax liabilities	10	**42,789**	40,543	**21,688**	21,863
Total non-current liabilities		**342,789**	340,543	**321,688**	321,863
Provisions	18	**2,444**	1,092	**1,419**	–
Payables and accruals	19	**168,365**	121,991	**45,802**	53,779
Current tax liabilities		**2,372**	9,172	**–**	–
Loans and borrowings	16	**123,932**	109,714	**–**	–
Total current liabilities		**297,113**	241,969	**47,221**	53,779
Total liabilities		**639,902**	582,512	**368,909**	375,642
Total equity and liabilities		**1,477,953**	1,361,170	**1,053,325**	1,004,540

The notes on pages 93 to 150 are an integral part of these financial statements.

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	2006	2005 restated	2006	2005
Revenue	20	1,110,060	814,219	4,976	4,525
Cost of sales		(926,849)	(668,117)	(1,250)	(1,055)
Gross profit		183,211	146,102	3,726	3,470
Other income		67,118	59,040	121,699	211,870
Distribution expenses		(20,823)	(12,799)	–	–
Administration expenses		(60,057)	(47,597)	(8,879)	(6,891)
Other expenses		(27,580)	(19,070)	(3,411)	(4,052)
Results from operating activities		141,869	125,676	113,135	204,397
Interest income		11,150	10,836	8,978	10,450
Finance costs		(15,577)	(10,103)	(10,304)	(6,800)
Operating profit	21	137,442	126,409	111,809	208,047
Share of profit after tax and minority interest of equity accounted associate		926	2,758	–	–
Profit before tax		138,368	129,167	111,809	208,047
Tax expense	23	(17,343)	(23,087)	(8,357)	(5,006)
Profit for the year		121,025	106,080	103,452	203,041
Attributable to:					
Shareholders of the Company		104,272	90,221	103,452	203,041
Minority interest		16,753	15,859	–	–
Profit for the year		121,025	106,080	103,452	203,041
Basic earnings per share (sen)	24	26.9	24.0		
Diluted earnings per share (sen)	24	23.4	18.1		

The notes on pages 93 to 150 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2006

Amounts in RM'000 unless otherwise stated

		Attributable to shareholders of the Company			
		Non-distributable			
	Note	Share capital	Share premium	Capital redemption reserve	Translation reserve
Group					
At 1 January 2005		377,895	7,787	73	(203)
Issue of shares:					
Exercise of share options		1,986	715	–	–
Conversion of warrants		3,639	1,310	–	–
Foreign exchange translation differences		–	–	–	103
Revaluation of properties, net of tax		–	–	–	–
Net gains recognised directly in equity		–	–	–	103
Profit for the year		–	–	–	–
Total recognised income and expense for the year		–	–	–	103
Acquisition of minority interest		–	–	–	–
Dividends to shareholders	25	–	–	–	–
At 31 December 2005		383,520	9,812	73	(100)
At 31 December 2005					
As previously reported		383,520	9,812	73	(100)
Effect of adopting FRS 140	32	–	–	–	–
At 1 January 2006, restated		383,520	9,812	73	(100)
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 landed property		–	–	–	–
Net gains recognised directly in equity		–	–	–	(1,062)
Profit for the year		–	–	–	–
Total recognised income and expense for the year		–	–	–	(1,062)
Treasury shares sold		–	3,416	–	–
Dividends to shareholders	25	–	–	–	–
Dividends to minority interest		–	–	–	–
At 31 December 2006		392,977	16,675	73	(1,162)

				Distributable			
	Revaluation reserve	**Other capital reserve**	**Treasury shares**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
	39,393	2,982	(11,443)	204,943	621,427	47,699	669,126
	–	–	–	–	2,701	–	2,701
	–	–	–	–	4,949	–	4,949
	–	–	–	–	103	–	103
	15,993	–	–	–	15,993	–	15,993
	15,993	–	–	–	16,096	–	16,096
	–	–	–	90,221	90,221	15,859	106,080
	15,993	–	–	90,221	106,317	15,859	122,176
	–	–	–	–	–	31,926	31,926
	–	–	–	(52,220)	(52,220)	–	(52,220)
	55,386	2,982	(11,443)	242,944	683,174	95,484	778,658
	55,386	2,982	(11,443)	242,944	683,174	95,484	778,658
	(11,564)	–	–	11,564	–	–	–
	43,822	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	–	–	–
	(176)	–	–	176	(1,062)	–	(1,062)
	–	–	–	104,272	104,272	16,753	121,025
	(176)	–	–	104,448	103,210	16,753	119,963
	–	–	5,607	–	9,023	–	9,023
	–	–	–	(69,850)	(69,850)	–	(69,850)
	–	–	–	–	–	(12,647)	(12,647)
	43,646	2,982	(5,836)	289,106	738,461	99,590	838,051

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2006

Amounts in RM'000 unless otherwise stated

		Non-distributable					Distributable	
	Note	Share capital	Share premium	Capital redemption reserve	Revaluation reserve	Treasury shares	Retained earnings	Total equity
Company								
At 1 January 2005		377,895	7,787	73	33,374	(11,443)	50,979	458,665
Issue of shares:								
Exercise of share options		1,986	715	–	–	–	–	2,701
Conversion of warrants		3,639	1,310	–	–	–	–	4,949
Profit for the year		–	–	–	–	–	203,041	203,041
Revaluation of properties, net of tax		–	–	–	11,762	–	–	11,762
Dividends to shareholders	25	–	–	–	–	–	(52,220)	(52,220)
At 31 December 2005		383,520	9,812	73	45,136	(11,443)	201,800	628,898
At 31 December 2005								
As previously reported		383,520	9,812	73	45,136	(11,443)	201,800	628,898
Effect of adopting FRS 140	32	–	–	–	(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	25	–	–	–	–	–	(69,850)	(69,850)
At 31 December 2006		392,977	16,664	73	20,631	(5,836)	259,907	684,416

The notes on pages 93 to 150 are an integral part of these financial statements.

CashFlowStatements

FOR THE YEAR ENDED 31 DECEMBER 2006

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	2006	2005 restated	2006	2005
Cash flows from operating activities					
Profit before tax		**138,368**	129,167	**111,809**	208,047
Adjustments for:					
Depreciation of property, plant and equipment	3	**29,182**	22,701	**655**	962
Dividends income		**–**	–	**(93,621)**	(190,106)
Gain on disposal of other investments	8	**(62,664)**	(56,106)	**(28,598)**	(21,357)
(Gain)/Loss on disposal of property, plant and equipment		**(1,379)**	(289)	**(38)**	16
Loss on disposal of an associate		**17**	–	**–**	–
Property, plant and equipment write off		**1,611**	281	**–**	–
Share of profit of equity accounted associates		**(926)**	(2,758)	**–**	–
Surplus on revaluation of properties		**–**	(140)	**–**	(196)
Translation adjustment		**(1,062)**	103	**–**	–
Operating profit/(loss) before working capital		**103,147**	92,959	**(9,793)**	(2,634)
Change in inventories		**(34,376)**	(25,806)	**–**	–
Change in receivables, deposits and prepayments		**(71,626)**	8,040	**(137,345)**	(248,056)
Change in payables and accruals		**40,414**	8,538	**(6,558)**	8,423
Cash generated from/(used in) operations		**37,559**	83,731	**(153,696)**	(242,267)
Income taxes paid		**(33,522)**	(22,674)	**1,453**	(2,300)
Net cash from/(used in) operating activities		**4,037**	61,057	**(152,243)**	(244,567)
Cash flows from investing activities					
Acquisition of commercial papers		**–**	(5,000)	**–**	(5,000)
Acquisition of intangible assets		**(16,971)**	(63)	**–**	(63)
Acquisition of investment properties		**(9,971)**	–	**(11,291)**	–
Acquisition of other investments		**(9,173)**	–	**–**	–
Acquisition of property, plant and equipment	3	**(61,336)**	(37,257)	**(899)**	(1,774)
Acquisition of subsidiaries, net of cash acquired	30	**1,046**	(236,519)	**(282)**	–
Dividends received from subsidiaries		**–**	–	**76,927**	186,072
Increase in investment in subsidiaries		**–**	–	**119**	–
Proceeds from disposal of an associate		**1,325**	–	**–**	–
Proceeds from disposal of property, plant and equipment		**2,810**	644	**87**	13
Proceeds from disposal of other investments		**96,890**	81,350	**47,952**	31,793
Proceeds from disposal of commercial papers		**40,588**	–	**40,588**	–

CashFlowStatements

FOR THE YEAR ENDED 31 DECEMBER 2006 (CONT'D.)

		Group		Company	
	Note	2006	2005 restated	2006	2005
Net cash generated/(used in) investing activities		**45,208**	(196,845)	**153,201**	211,041
Cash flows from financing activities					
Dividends paid to minority shareholders		**(12,647)**	(4,315)	**–**	–
Dividends paid to shareholders of the Company	25	**(69,850)**	(52,220)	**(69,850)**	(52,220)
Proceeds from borrowings		**14,218**	21,062	**–**	–
Proceeds from disposal of treasury shares		**9,023**	–	**9,023**	–
Proceeds from exercise of ESOS		**2,478**	2,701	**2,467**	2,701
Proceeds from exercise of warrants		**10,426**	4,949	**10,426**	4,949
Proceeds from term loan		**–**	100,000	**–**	100,000
Net cash (used in)/from financing activities		**(46,352)**	72,177	**(47,934)**	55,430
Net increase/(decrease) in cash and cash equivalents		**2,893**	(63,611)	**(46,976)**	21,904
Cash and cash equivalents at 1 January		**295,521**	359,132	**208,605**	186,701
Cash and cash equivalents at 31 December		**298,414**	295,521	**161,629**	208,605

Cash and cash equivalents

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

	Group		Company	
	2006	2005	2006	2005
Cash and bank balances	**53,087**	43,236	**2,719**	444
Short term deposits	**245,327**	252,285	**158,910**	208,161
	298,414	295,521	**161,629**	208,605

The notes on pages 93 to 150 are an integral part of these financial statements.

Notes to the Financial Statements

Amounts in RM'000 unless otherwise stated

Chemical Company of Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Registered office and principal place of business
9th Floor, Wisma Sime Darby
14 Jalan Raja Laut
50350 Kuala Lumpur

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The Company is principally an investment holding and management company with subsidiaries and associate engaged in the manufacture and marketing of fertilizers, chlor-alkali and coagulant products, pharmaceuticals and healthcare products and the marketing of a wide range of chemicals as stated in Note 6. There have been no significant changes in the nature of these activities during the financial year.

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

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 accounting standards for entities other than private entities 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 issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

Standard / Interpretation	Effective date
FRS 117, Leases	1 October 2006
FRS 124, Related Party Disclosures	1 October 2006
FRS 139, Financial Instruments: Recognition and Measurement	To be announced

1. BASIS OF PREPARATION (CONT'D.)

(a) Statement of compliance (Cont'd.)

Standard / Interpretation	Effective date
Amendment to FRS 119_{2004}, Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6, Exploration for and Evaluations of Mineral Resources	1 January 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
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_{2004} 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 FRS 117, FRS 124, and the Amendment to FRS 119_{2004} initially for the annual period beginning 1 January 2007 and to apply the rest of the above-mentioned FRSs (except for FRS 6 as explained below and FRS 139 which its effective date has yet to be announced) and Interpretations for the annual period beginning 1 January 2008.

The impact of applying FRS 117, FRS 124 and 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 the respective standards.

1. BASIS OF PREPARATION (CONT'D.)

(a) Statement of compliance (Cont'd.)

FRS 6, IC Interpretation 2, IC Interpretation 5, IC Interpretation 6 and IC Interpretation 7 are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

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

The financial statements were approved by the Board of Directors on 19 April 2007.

(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:

- 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.

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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 4 – measurement of the recoverable amounts of cash-generating units
- Note 5 – valuation of investment properties
- Note 10 – recognition of unutilised tax losses and capital allowances
- Note 30 – business combinations
- Note 18 – provisions and contingencies

2. SIGNIFICANT ACCOUNTING POLICIES

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

(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.

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.

(ii) Associates

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

Associates are accounted for in the consolidated financial statements using the equity method. 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 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.

(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 (CONT'D.)

(a) Basis of consolidation (Cont'd.)

(iv) Minority interest

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

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the 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 are translated to RM at exchange rates at the balance sheet date. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(b) Foreign currency (Cont'd.)

(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. Deferred exchange differences are released to the 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 shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. 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.

(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.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(c) Property, plant and equipment (Cont'd.)

(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.

(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. Leased assets are 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.

No amortisation is provided on leasehold land with unexpired lease terms of more than fifty years. The effect of this non-amortisation is not material in the context of the Group's and Company's financial statements.

Leasehold land with unexpired lease terms of less than fifty years are amortised in equal instalments over the remaining period of their leases.

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

- Long term leasehold building — 2% to 10%
- Short term leasehold building — 2% to 10%
- Plant, machinery and equipment — 7 1/2% to 25%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(d) Leased assets

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.

Other leases are operating leases and, except for leasehold land classified as investment property, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(e) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, and associates.

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.

Goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

Acquisition of minority interest

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of net assets acquired at the date of exchange.

(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.

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use.

(f) Investments property

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Investments property (Cont'd.)

In the previous years, all investment properties were stated at revalued amount less accumulated depreciation and impairment and are classified in property, plant and equipment. Following the adoption of FRS 140, Investment Property, all investment property are measured initially at cost and subsequently at fair value with any change therein recognised in the income statement.

This change in accounting policy has been applied retrospectively as allowed by the transitional provisions in FRS 140.80. The effects of adopting FRS 140 are set out in Note 32.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon disposal of the investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through the income statement.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every 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.

(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 selling expenses.

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(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.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

In the previous years, non-current assets held for sale (or disposal group) were not classified separately on the balance sheet and were measured in accordance with the respective accounting policy. Following the adoption of FRS 5, Non-current Assets Held for Sale and Discontinued Operations, non-current assets held for sale (or disposal group) are classified separately as current assets / liabilities. This change in accounting policy is applied prospectively from 1 January 2006.

(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.

(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 balance sheet 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.

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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(k) Impairment of assets (Cont'd.)

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.

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.

(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. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total 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.

The Group's contributions to the Employees Provident Fund 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 obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(n) Employee benefits (Cont'd.)

(ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. In the previous year, share options granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, Share-based Payment, the grant date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2.

(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) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(iii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(q) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services

Revenue from services rendered is recognised upon completion of the services.

(iii) 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.

(iv) Dividend income

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

(r) Lease payments

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.

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.

(s) 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.

(t) 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 (CONT'D.)

(t) Tax expense (Cont'd.)

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.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(u) Earnings per ordinary share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(v) Segment reporting

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

3. PROPERTY, PLANT AND EQUIPMENT

	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 2005	20,923	26,001	147,137	68,674	355	366,690	684	630,464
Additions	–	–	–	447	12	24,059	12,739	37,257
Acquisition through business combination	35,077	–	–	–	–	41,562	–	76,639
Disposals	–	–	–	(28)	–	(2,410)	–	(2,438)
Write-off	–	–	–	–	–	(2,404)	–	(2,404)
Reclassification	1,253	–	(1,253)	–	–	–	–	–
Adjustment for revaluation	356	(1,450)	(25,004)	(8,671)	–	–	–	(34,769)
Revaluation of properties	11,235	1,504	21,085	(15,749)	–	–	–	18,075
At 31 December 2005	68,844	26,055	141,965	44,673	367	427,497	13,423	722,824
Effect of adopting FRS 140	(22,087)	(1,000)	(43,540)	–	–	–	–	(66,627)
At 1 January 2006, restated	46,757	25,055	98,425	44,673	367	427,497	13,423	656,197
Additions	–	138	11,291	42	–	30,816	19,049	61,336
Acquisition through business combination	–	–	–	–	–	190	–	190
Reclassification	30	273	–	–	–	(303)	–	–
Disposals	(193)	–	–	–	–	(3,581)	–	(3,774)

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land	Freehold buildings	Long term leasehold land	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Group (Cont'd.)								
Cost/valuation (Cont'd.)								
Write-off	–	–	–	–	–	(4,639)	–	(4,639)
Transfer to assets held for sale	(21,300)	(1,500)	–	–	–	–	–	(22,800)
At 31 December 2006	25,294	23,966	109,716	44,715	367	449,980	32,472	686,510
Depreciation								
At 1 January 2005	–	940	386	31,008	161	272,368	–	304,863
Depreciation for the year	–	178	67	2,372	35	20,049	–	22,701
Acquisition through business combination	–	–	–	–	–	21,736	–	21,736
Disposals	–	–	–	(28)	–	(2,195)	–	(2,223)
Write-off	–	–	–	–	–	(2,123)	–	(2,123)
Reclassification	–	92	–	(92)	–	–	–	–
Adjustment for revaluation	–	(1,094)	(453)	(33,222)	–	–	–	(34,769)
At 31 December 2005/ 1 January 2006	–	116	–	38	196	309,835	–	310,185
Depreciation for the year	–	529	447	1,564	27	26,615	–	29,182
Acquisition through business combination	–	–	–	–	–	168	–	168

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land	Freehold buildings	Long term leasehold land	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Group (Cont'd.)								
Depreciation (Cont'd.)								
Transfer to assets held for sale	–	(30)	–	–	–	–	–	(30)
Disposals	–	–	–	–	–	(2,343)	–	(2,343)
Write-off	–	–	–	–	–	(3,028)	–	(3,028)
At 31 December 2006	–	615	447	1,602	223	331,247	–	334,134
Carrying amounts								
At 1 January 2005	20,923	25,061	146,751	37,666	194	94,322	684	325,601
At 31 December 2005	68,844	25,939	141,965	44,635	171	117,662	13,423	412,639
At 1 January 2006, restated	46,757	24,939	98,425	44,635	171	117,662	13,423	346,012
At 31 December 2006	25,294	23,351	109,269	43,113	144	118,733	32,472	352,376

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land	Freehold buildings	Long term leasehold land	Long term leasehold buildings	Plant, machinery and equipment	Total
Company						
Cost/Valuation						
At 1 January 2005	43,894	2,566	111,396	21,109	4,489	183,454
Additions	–	–	–	415	1,359	1,774
Disposals	–	–	–	–	(80)	(80)
Adjustment for revaluation	(13)	(952)	(226)	(13,395)	–	(14,586)
Revaluation of properties	11,064	1,513	(4,820)	4,724	–	12,481
At 31 December 2005	54,945	3,127	106,350	12,853	5,768	183,043
– Effect of adopting FRS 140	(18,245)	(1,130)	(106,350)	(12,853)	–	(138,578)
At 1 January 2006, restated	36,700	1,997	–	–	5,768	44,465
Additions	–	104	–	–	795	899
Transfer to assets held for sale	(21,300)	(1,500)	–	–	–	(22,800)
Disposals	–	–	–	–	(104)	(104)
At 31 December 2006	15,400	601	–	–	6,459	22,460
Depreciation						
At 1 January 2005	–	912	–	13,210	2,577	16,699
Depreciation for the year	–	53	–	411	498	962
Disposals	–	–	–	–	(51)	(51)
Adjustment for revaluation	–	(965)	–	(13,621)	–	(14,586)
At 31 December 2005/1 January 2006	–	–	–	–	3,024	3,024
Depreciation for the year	–	30	–	–	625	655
Transfer to assets held for sale	–	(30)	–	–	–	(30)
Disposals	–	–	–	–	(55)	(55)
At 31 December 2006	–	–	–	–	3,594	3,594
Carrying amounts						
At 1 January 2005	43,894	1,654	111,396	7,899	1,912	166,755
At 31 December 2005	54,945	3,127	106,350	12,853	2,744	180,019
At 1 January 2006, restated	36,700	1,997	–	–	2,744	41,441
At 31 December 2006	15,400	601	–	–	2,865	18,866

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Property, plant and equipment under construction

During the year ended 31 December 2006 the Group commenced 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 RM4,654,000 (2005: Nil).

(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 RM27,818,000 (2005: RM13,423,000).

Property, plant and equipment under the revaluation model

The Group's freehold and leasehold 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	
	2006	2005	**2006**	2005
Freehold land and buildings	**48,248**	23,855	**3,006**	11,524
Long term leasehold land and buildings	**46,208**	71,882	**–**	53,814
	94,456	95,737	**3,006**	65,338

4. INTANGIBLE ASSETS

	Goodwill	Marketing rights	Trademark	Total
Group				
Cost				
At 1 January 2005	–	–	–	–
Acquisition through business combination	189,659	–	–	189,659
Acquisition during the year	–	–	63	63
At 31 December 2005/1 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	191,158	16,971	63	208,192
Impairment losses				
At 1 January 2005/31 December 2006	–	–	–	–
Carrying amounts				
At 1 January 2005	–	–	–	–
At 31 December 2005/1 January 2006	189,659	–	63	189,722
At 31 December 2006	191,158	16,971	63	208,192

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

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.

4. INTANGIBLE ASSETS (CONT'D.)

	Trademark
Company	
Cost	
At 1 January 2005	–
Acquisition during the year	63
At 31 December 2005/31 December 2006	63
Impairment losses	
At 1 January 2005/31 December 2006	–
Carrying amount	
At 1 January 2005	–
At 31 December 2005/31 December 2006	63

5. INVESTMENT PROPERTIES

	Group		Company	
	2006	2005	**2006**	2005
At 1 January	**–**	–	**–**	–
Acquisition	**9,971**	–	**11,291**	–
Transfer from property, plant and equipment	**66,627**	–	**138,578**	–
At 31 December	**76,598**	–	**149,869**	–
Included in the above are:				
Freehold land	**22,087**	–	**18,245**	–
Leasehold land with unexpired lease period of less than 50 years	**13,171**	–	**–**	–
Leasehold land with unexpired lease period of more than 50 years	**40,340**	–	**117,641**	–
Buildings	**1,000**	–	**13,983**	–
At 31 December	**76,598**	–	**149,869**	–

5. INVESTMENT PROPERTIES (CONT'D.)

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%

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2006	2005
At cost:		
Unquoted shares	**166,075**	165,793
Less: Impairment loss	**(4,200)**	(4,200)
	161,875	161,593

6. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows:

Name of Subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest 2006 %	2005 %
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.	31	Malaysia	Manufacture of pharmaceutical and healthcare products	**100.0**	100.0
Prima Health Pharmacy (Retail) Sdn. Bhd.	31	Malaysia	Marketing and retailing of pharmaceutical and healthcare products	**100.0**	100.0

6. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name of Subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest 2006 %	2005 %
CCM Marketing Sdn. Bhd. (formerly known as Tekan Maju Sdn. Bhd.) and its subsidiaries:		Malaysia	Investment holding	**100.0**	100.0
CCM Duopharma Biotech Berhad (formerly known as Duopharma Biotech Berhad) 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
Euphorex Corporation Sdn. Bhd.		Malaysia	Investment holding	**100.0**	100.0
Kibaran Kemas 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. (formerly known as Duopharma Trading (S) Pte. Ltd.)*	30	Singapore	Distribution, importing and exporting and wholesaler of medicinal and pharmaceuticals products	**100.0**	–
P.T. CCM AgriPharma*		Indonesia	Importing and trading of fertilizers and pharmaceuticals products	**100.0**	100.0

6. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name of Subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest 2006 %	Effective ownership interest 2005 %
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.	30	Malaysia	Marketing of pharmaceutical and healthcare products	**100.0**	61.7
Unique Pharmacy (Ipoh) Sdn. Bhd.	30	Malaysia	Marketing of pharmaceutical and healthcare products	**100.0**	73.3
Unique Pharmacy (Penang) Sdn. Bhd.	30	Malaysia	Marketing of pharmaceutical and healthcare products	**100.0**	72.0
Negeri Pharmacy Sdn. Bhd.		Malaysia	Marketing of pharmaceutical and healthcare products	**100.0**	100.0
CCM Agri-Max Sdn. Bhd. (formerly known as Envirochem Consultants 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

6. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name of Subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest	
				2006 %	2005 %
Usaha Kimia (M) Sdn. Bhd.	30	Malaysia	Marketing of chlor-alkali and chemical products	**100.0**	30.0
CCM Investments Limited**		British Virgin Islands	Investment holding	**100.0**	100.0

* *Audited by other firms*

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

7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2006	2005	**2006**	2005
At cost:				
Unquoted shares	**1,492**	2,891	**–**	119
Share of post acquisition reserves	**2,214**	1,350	**–**	–
	3,706	4,241	**–**	119

7. INVESTMENT IN ASSOCIATES (CONT'D.)

	Country of incorporation	Effective ownership interest	Revenue (100%)	Profit/ (Loss) (100%)	Total assets (100%)	Total liabilities (100%)
2006						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	45.0%	16,438	2,858	10,994	2,889
2005						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	36.0%	18,770	813	13,239	7,566
Usaha Kimia (M) Sdn. Bhd.	Malaysia	30.0%	9,192	79	4,448	3,427
Altratec Sdn. Bhd.	Malaysia	29.4%	39,993	1,156	9,405	5,838

During the year, the Company acquired 70 percent of ordinary shares in Usaha Kimia (M) Sdn. Bhd. for a consideration of RM156,800, satisfied by cash. Accordingly, Usaha Kimia (M) Sdn. Bhd. becomes a wholly-owned subsidiary of the Company.

During the year, the Group disposed of its investment in Altratec Sdn. Bhd.

8. OTHER INVESTMENTS

	Group		Company	
	2006	2005	**2006**	2005
Non-current				
At cost:				
Quoted shares – outside Malaysia	**7,673**	34,788	**–**	19,916
Unquoted shares	**1,500**	–	**–**	–
Commercial papers	**92**	40,118	**92**	40,118
	9,265	74,906	**92**	60,034
Market value:				
– quoted shares outside Malaysia	**4,328**	127,505	**–**	88,413
– commercial papers	**97**	40,373	**97**	40,373

8. OTHER INVESTMENTS (CONT'D.)

No allowance is 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		Company	
	2006	2005	**2006**	2005
Proceeds from disposal	**137,478**	81,350	**88,540**	26,378
Carrying amount of investments disposed	**(74,814)**	(25,244)	**(59,942)**	(5,021)
Gain on disposal of investments	**62,664**	56,106	**28,598**	21,357

9. DEVELOPMENT EXPENDITURE

	Group	
	2006	2005
Cost		
At 1 January/31 December	**5,239**	5,239
Accumulated amortisation		
At 1 January/31 December	**5,239**	5,239
Net book value		
At 31 December	**–**	–

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006	2005 restated	**2006**	2005 restated	**2006**	2005
Group						
Property, plant and equipment	**(462)**	(1,147)	**42,712**	40,276	**42,250**	39,129
Provisions	**(2,977)**	(3,561)	**24**	–	**(2,953)**	(3,561)
Other items	**(640)**	–	**53**	267	**(587)**	267
Tax losses carried forward	**(1,348)**	(1,270)	**–**	–	**(1,348)**	(1,270)
Net tax (assets) / liabilities	**(5,427)**	(5,978)	**42,789**	40,543	**37,362**	34,565
Company						
Property, plant and equipment	**(456)**	(359)	**22,354**	22,375	**21,898**	22,016
Provisions	**(263)**	(420)	**–**	–	**(263)**	(420)
Other items	**–**	–	**53**	267	**53**	267
Net tax (assets) / liabilities	**(719)**	(779)	**22,407**	22,642	**21,688**	21,863

In recognising the deferred tax assets attributable to unutilised tax losses carried forward and unutilised capital allowances carried forward (included in deductible temporary differences of property, plant and equipment) the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised tax losses carried forward and unutilised capital allowances carried forward amounting to approximately RM4,926,000 and RM2,070,000 respectively will not be available to the Group, resulting in an increase in net deferred tax liabilities of RM1,892,000.

10. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D.)

Unrecognised deferred tax assets

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

	Group	
	2006	2005
Tax losses carried forward	**23,388**	17,871
Other deductible temporary differences	**5,031**	6,507
	28,419	24,378

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is substantial change in shareholders (more than 50%), unutilised tax losses carried forward and unutilised capital allowances carried forward amounting to RM23,388,000 and RM5,031,000 will not be available to the Group. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Movement in temporary differences during the year

	At 1.1.2005	Recognised in income statement (Note 23)	Recognised in equity (Note 23)	At 31.12.2005	Recognised in income statement (Note 23)	At 31.12.2006
Group						
Property, plant and equipment	31,736	2,414	4,979	39,129	3,121	42,250
Provisions	(374)	(3,187)	–	(3,561)	608	(2,953)
Other items	(514)	781	–	267	(854)	(587)
Tax losses carried forward	(1,711)	441	–	(1,270)	(78)	(1,348)
	29,137	449	4,979	34,565	2,797	37,362

10. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D.)

Movement in temporary differences during the year (Cont'd.)

	At 1.1.2005	Recognised in income statement (Note 23)	Recognised in equity (Note 23)	At 31.12.2005	Recognised in income statement (Note 23)	At 31.12.2006
Company						
Property, plant and equipment	21,488	5	523	22,016	(118)	21,898
Provisions	–	(420)	–	(420)	157	(263)
Other items	54	213	–	267	(214)	53
	21,542	(202)	523	21,863	(175)	21,688

Movements in unrecognised deferred tax assets during the year

	At 1.1.2005	Additions	At 31.12.2005	Additions	Recognition	At 31.12.2006
Tax losses carried forward	8,436	9,435	17,871	5,979	(462)	23,388
Other deductible temporary differences	5,343	1,164	6,507	–	(1,476)	5,031
	13,779	10,599	24,378	5,979	(1,938)	28,419

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
	Note	2006	2005 restated	2006	2005 restated
Current					
Trade					
Trade receivables	a	**282,509**	188,931	**–**	–
Less: Allowance for doubtful debts		**(12,564)**	(10,071)	**–**	–
		269,945	178,860	**–**	–
Amount due from subsidiaries	b	**–**	–	**476,505**	370,229
Amount due from associates	c	**197**	295	**72**	142
		270,142	179,155	**476,577**	370,371
Non-trade					
Other receivables		**7,367**	22,440	**453**	1,019
Deposits		**3,106**	2,355	**1,919**	221
Prepayments		**471**	838	**24**	19
Amount due from subsidiaries	d	**–**	–	**49,676**	19,674
		10,944	25,633	**52,072**	20,933
		281,086	204,788	**528,649**	391,304

Note a

Trade receivables denominated in currencies other than the functional currency comprise RM45,153,000 (2005: RM11,622,000) of trade receivables denominated in U.S Dollar, RM12,359,000 (2005: RM7,305,000) of trade receivables denominated in Singapore Dollar, RM514,000 (2005: RM689,000) of trade payables in Hong Kong Dollar, RM5,051,000 (2005: RM1,657,000) of trade receivables denominated in Indonesian Rupiah, RM228,000 (2005: RM657,000) of trade receivables denominated in Euro Dollar and Nil (2005: RM8,000) of trade receivables denominated in Thai Baht.

Note b

During the year, the Company wrote off an amount due from a subsidiary amounting to RM1,850,000 (2005: RM3,480,000).

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.

Note d

The non-trade receivables due from subsidiaries are unsecured, interest-free except for amount due from CCM Fertilizers Sdn Bhd at interest rate of BLR + 0.25% for the first 3 months of 2006 (2005: whole year), and all balances are repayable on demand.

12. INVENTORIES

	Group	
	2006	2005
At cost		
Raw materials	**38,373**	36,711
Work-in-progress	**7,763**	4,270
Finished products	**137,077**	101,978
Spares and consumables	**19,863**	24,880
	203,076	167,839

In 2006, the write-down of inventories to net realisable value amounted to RM1,005,000 (2005: RM345,000) and write-off of inventories amounted to RM1,625,000 (2005: RM157,000). The write-down and write-off are included in cost of sales.

13. ASSETS CLASSIFIED AS HELD FOR SALE

		Group and Company	
	Note	**2006**	2005
Property, plant and equipment	a	**22,770**	–

Note a

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

	Group and Company	
	2006	2005
Freehold land and buildings:		
Cost	**22,800**	–
Accumulated depreciation	**(30)**	–
	22,770	–

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
Deposits are placed with:				
Licensed banks	**192,727**	242,488	**106,310**	199,364
Other corporations	**52,600**	9,797	**52,600**	8,797
	245,327	252,285	**158,910**	208,161
Cash and bank balances	**53,087**	43,236	**2,719**	444
	298,414	295,521	**161,629**	208,605

15. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount 2006 RM'000	**Number of shares 2006 '000**	Amount 2005 RM'000	Number of shares 2005 '000
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	**383,520**	**383,520**	377,895	377,895
Issue of shares under the ESOS	**1,814**	**1,814**	1,986	1,986
Conversion of warrants	**7,643**	**7,643**	3,639	3,639
On issue at 31 December	**392,977**	**392,977**	383,520	383,520

15. CAPITAL AND RESERVES (CONT'D.)

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 as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Revaluation reserve

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

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. During the year, the Company sold 2,890,000 treasury shares in the open market. The average resale price of the treasury shares was RM3.14 per share.

At 31 December 2006, the Group held 2,998,000 (2005: 5,888,000) 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
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 sufficient Section 108 tax credit and tax exempt income to frank RM180,608,000 (2005: RM245,000,000) of its distributable reserves at 31 December 2006 if paid out as dividends.

16. 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 27.

		Group		Company	
	Note	2006	2005 restated	2006	2005 restated
Non-current					
Unsecured term loan		100,000	100,000	100,000	100,000
Unsecured bond	a	200,000	200,000	200,000	200,000
		300,000	300,000	300,000	300,000
Current					
Unsecured bank overdrafts		1,775	1,979	–	–
Unsecured bankers acceptances		89,007	86,908	–	–
Unsecured revolving credits		33,150	20,000	–	–
Unsecured foreign currency loan in US dollars (USD)		–	827	–	–
		123,932	109,714	–	–

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.

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.

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;

16. LOANS AND BORROWINGS (UNSECURED) (CONT'D.)

Significant covenants (Cont'd.)

The unsecured term loan and bond issue are subject to fulfillment of the following significant covenants: (Cont'd.)

(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.

17. 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.

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 exercisable – 4 years service and 75% of options exercisable – 5 years service and 100% of options exercisable	5 years

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.

17. EMPLOYEE BENEFITS (CONT'D.)

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

	Number of options ('000) 2006	Number of options ('000) 2005
Outstanding at 1 January	**2,513**	5,223
Lapsed during the year	**–**	(724)
Exercised during the year	**(1,814)**	(1,986)
Outstanding and exercisable at 31 December	**699**	2,513

The options outstanding at 31 December 2006 have a remaining contractual life of approximately 1 year.

During the year, 1,814,000 (2005: 1,986,000) share options were exercised. The weighted average share price for the year was RM3.28 (2005: RM2.67).

18. PROVISIONS

	Warranties		Restructuring		Total	
	2006	2005	**2006**	2005	**2006**	2005
Group						
At 1 January 2006	**1,092**	1,194	**–**	–	**1,092**	1,194
Provision made during the year	**–**	–	**1,419**	–	**1,419**	–
Provision used during the year	**(67)**	(102)	**–**	–	**(67)**	(102)
At 31 December 2006	**1,025**	1,092	**1,419**	–	**2,444**	1,092

	Restructuring	
	2006	2005
Company		
At 1 January 2006	**–**	–
Provision made during the year	**1,419**	–
At 31 December 2006	**1,419**	–

18. PROVISIONS (CONT'D.)

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.

Restructuring

The provision for restructuring relates to estimated payments commited to be made to the remaining creditors and accruals, as well as expenses incurred by Prima Health Pharmacy (Retail) Sdn. Bhd., subsidiary of the Company, as this subsidiary has closed down all the pharmacy outlets and remain dormant, subsequent to the balance sheet date.

19. PAYABLES AND ACCRUALS

		Group		Company	
	Note	2006	2005	2006	2005
Trade					
Trade payables	a	**124,554**	88,700	**–**	–
		124,554	88,700	**–**	–
Non-trade					
Other payables and accrued expense		**43,811**	33,291	**4,040**	3,301
Amount due to subsidiaries	b	**–**	–	**41,762**	50,478
		43,811	33,291	**45,802**	53,779
		168,365	121,991	**45,802**	53,779

Note a

Payables denominated in currencies other than the functional currency comprise RM23,804,000 (2005: RM9,708,000) of trade payables denominated in U.S Dollar, RM1,744,000 (2005: RM1,708,000) of trade payables denominated in Singapore Dollar, RM534,000 (2005: RM412,000) of trade payables denominated in Australia Dollar, RM1,000 (2005: RM24,000) of trade payables denominated in Indonesian Rupiah, RM12,000 (2005: RM83,000) of trade payables denominated in Euro Dollar and Nil (2005: RM83,000) of trade payables denominated in Pound Sterling.

Note b

The non-trade payables due to subsidiaries are unsecured, interest-free, and repayable on demand.

20. REVENUE

	Group		Company	
	2006	2005	2006	2005
Sales	**1,109,005**	813,497	**–**	–
Rental income from investment properties	**1,055**	722	**4,976**	4,525
	1,110,060	814,219	**4,976**	4,525

21. OPERATING PROFIT

		Group		Company	
	Note	2006	2005 restated	2006	2005
Operating profit is arrived at after charging:					
Allowance for doubtful debts		**1,698**	3,495	**–**	–
Auditors' remuneration					
– Audit services					
– Auditor of the Company		**274**	234	**34**	24
– Other auditors		**45**	–	**–**	–
– Other services by Auditors of the Company		**196**	6	**190**	–
Bad debts written off		**2**	–	**–**	–
Depreciation of property, plant and equipment	3	**29,182**	22,701	**655**	962
Loss on disposal of property, plant and equipment		**–**	–	**–**	16
Loss on disposal of an associate		**17**	–	**–**	–
Inter-company advances written off	11	**–**	–	**1,850**	3,480
Interest expense:					
– Subsidiaries		**–**	–	**81**	22
– Related companies		**–**	–	**204**	–
– Bank overdraft		**10,182**	6,955	**10,019**	6,778
– Revolving credits		**1,117**	687	**–**	–
– Bankers' acceptance		**4,048**	1,949	**–**	–
– Foreign currency loan		**–**	262	**–**	–
– Other borrowings		**230**	250	**–**	–
Loss on damaged goods		**877**	–	**–**	–
Property, plant and equipment written-off		**1,611**	281	**–**	–
Rental expenses on property leases		**6,793**	6,656	**650**	731
Rental expenses on equipment		**846**	190	**–**	–
Research and development expensed as incurred		**435**	91	**–**	–
Provision for restructuring		**1,419**	–	**1,419**	–
Personnel expenses (including key management personnel)					
– Contribution to Employees Provident Fund		**8,531**	8,108	**590**	499
– Wages, salaries and others		**57,043**	45,946	**4,868**	3,583
Write-down of inventories		**1,005**	502	**–**	–
Write-off of inventories		**1,625**	–	**–**	–
Unrealised loss on foreign exchange		**51**	–	**–**	–

21. OPERATING PROFIT (CONT'D.)

		Group		Company	
	Note	2006	2005	2006	2005
and after crediting:					
Bad debts written back		776	166	–	–
Claim from damaged goods		27	–	–	–
Dividends income from:					
– Subsidiaries (unquoted)		–	–	93,621	190,106
Gain on disposal of other investments	8	62,664	56,106	28,598	21,357
Gain on disposal of property, plant and equipment		1,379	289	38	–
Interest income:					
– Subsidiaries		–	–	274	928
– Associate		–	5	–	–
– Fixed deposits		10,941	8,046	8,242	6,858
– Commercial bonds		150	2,664	462	2,664
– Others		59	121	–	–
Net foreign exchange gain		834	536	–	–
Rental income from property subleases		1,163	108	–	–
Royalty income		–	–	43	197
Surplus on revaluation of property, plant and equipment		–	140	–	196

22. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2006	2005	2006	2005
Director				
– Fees	534	522	525	522
– Remuneration	1,195	759	478	304
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	180	154	72	62
	1,909	1,435	1,075	888

23. TAX EXPENSE

Recognised in the income statement

		Group		Company	
	Note	2006	2005	2006	2005
Tax expense		**17,343**	23,087	**8,357**	5,006
Share of tax of equity accounted associate		**224**	1,139	**–**	–
Total tax expense		**17,567**	24,226	**8,357**	5,006
Major components of tax expense include:					
Current tax expense					
Malaysian – current year		**15,378**	22,211	**9,387**	5,287
– prior year		**(1,423)**	427	**(855)**	(79)
Overseas – current year		**661**	–	**–**	–
– prior year		**(70)**	–	**–**	–
Total current tax recognised in the income statement		**14,546**	22,638	**8,532**	5,208
Deferred tax expense					
Origination and reversal of temporary differences		**2,119**	449	**(175)**	(202)
(Write-down) / Reversal of a previous write-down of deferred tax assets		**678**	–	**–**	–
Total deferred tax recognised in the income statement	10	**2,797**	449	**(175)**	(202)
Share of tax of equity accounted associate		**224**	1,139	**–**	–
Total tax expense		**17,567**	24,226	**8,357**	5,006

23. TAX EXPENSE (CONT'D.)

Reconciliation of effective tax expenses

	Group		Company	
	2006 %	2005 %	**2006 %**	2005 %
Profit before tax	**100**	100	**100**	100
Tax calculated using Malaysian tax rate of 28% (2005: 28%)	**28**	28	**28**	28
Non-deductible expenses	**1**	3	**–**	–
Tax exempt income	**(13)**	(13)	**(16)**	(27)
Other items	**(2)**	1	**(4)**	1
Under/(over) provided in prior years	**(1)**	–	**(1)**	–
	13	19	**7**	2

Tax recognised directly in equity

		Group		Company	
	Note	**2006**	2005	**2006**	2005
Revaluation of property, plant and equipment before transfer to investment property		**–**	4,979	**–**	523
Total tax recognised directly in equity	10	**–**	4,979	**–**	523

23. TAX EXPENSE (CONT'D.)

Tax savings arising from tax losses

		Group	
	Note	2006	2005
Tax savings arising from utilisation of prior year tax losses previously unrecognised	10	**462**	–

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2006 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2006 RM'000	2005 RM'000
Profit for the year attributable to ordinary shareholders	**104,272**	90,221

Weighted average number of ordinary shares

	Group	
	2006	2005
Issued ordinary shares at 1 January	**383,520**	377,895
Effect of treasury shares held	**(1,886)**	(5,008)
Effect of ordinary shares issued in 2006/2005	**5,879**	2,721
Weighted average number of ordinary shares at 31 December	**387,513**	375,608

24. EARNINGS PER ORDINARY SHARE (CONT'D.)

Basic earnings per ordinary share:

	Group	
	2006 Sen	2005 Sen
From continuing operations	**26.9**	24.0

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2006 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2006 RM'000	2005 RM'000
Profit for the year attributable to shareholders	**104,272**	90,221
Interest expense on convertible notes, net of tax	**1,976**	7,942
Profit attributable to ordinary shareholders	**106,248**	98,163

Weighted average number of ordinary shares diluted

	Group	
	2006	2005
Weighted average number of ordinary shares at 31 December	**387,513**	375,608
Effect of conversion of warrants	**66,578**	163,086
Effect of share options on issue	**701**	3,237
Weighted average number of ordinary shares (diluted) at 31 December	**454,792**	541,931

24. EARNINGS PER ORDINARY SHARE (CONT'D.)

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.

Diluted earnings per ordinary share:

	Group	
	2006 Sen	2005 Sen
From continuing operations	**23.4**	18.1

25. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
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	
2005			
Interim 2005 ordinary	6.0	22,643	23 September 2005
Final 2004 ordinary	4.3	16,133	26 May 2005
Special 2004 ordinary	3.6	13,444	26 May 2005
Total amount		52,220	

25. DIVIDENDS (CONT'D.)

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 2006 ordinary	6.6
Special 2006 ordinary	6.0

26. SEGMENT REPORTING

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

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

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

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

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

26. SEGMENT REPORTING (CONT'D.)

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005 restated
Business Segments												
Total external revenue	535,565	396,667	369,357	317,804	204,083	99,026	1,055	722	–	–	1,110,060	814,219
Inter-segment revenue	–	608	46,422	53,700	714	944	5,362	3,803	(52,498)	(59,055)	–	–
Total segment revenue	535,565	397,275	415,779	371,504	204,797	99,970	6,417	4,525	(52,498)	(59,055)	1,110,060	814,219
Segment result	16,224	32,035	22,695	28,450	50,579	12,939	52,371	52,252	–	–	141,869	125,676
Interest income											11,150	10,836
Finance costs											(15,577)	(10,103)
Share of profit of equity accounted associates											926	2,758
Tax expense											(17,343)	(23,087)
Profit for the year											121,025	106,080

26. SEGMENT REPORTING (CONT'D.)

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2006	2005 restated	**2006**	2005 restated	**2006**	2005 restated	**2006**	2005 restated	**2006**	2005	**2006**	2005 restated
Segment assets	289,879	173,266	276,482	237,766	364,850	478,000	1,526,551	1,090,091	(983,515)	(622,194)	1,474,247	1,356,929
Investment in associates	–	–	3,635	2,709	–	1,342	–	119	71	71	3,706	4,241
Total assets											1,477,953	1,361,170
Segment liabilities	179,185	50,891	155,827	49,303	140,093	56,386	466,569	374,308	(642,019)	(402,995)	299,655	127,893
Unallocated liabilities											340,247	454,619
Total liabilities											639,902	582,512
Capital expenditure	27,815	1,192	8,836	15,508	23,338	18,785	12,859	1,772	(1,587)	–	71,261	37,257
Depreciation and amortisation	2,937	2,016	15,354	13,696	9,326	6,027	1,565	962	–	–	29,182	22,701

27. FINANCIAL INSTRUMENTS

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

Credit risk

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

Investments 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 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.

27. FINANCIAL INSTRUMENTS (CONT'D.)

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.

		2006				2005			
	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 – 5 years RM'000	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 – 5 years RM'000
Group									
Floating rate instruments									
Bank overdraft	16	7.00	(1,775)	(1,775)	–	7.50	(1,979)	(1,979)	–
Bankers' acceptance	16	3.76	(89,007)	(89,007)	–	3.50	(86,908)	(86,908)	–
Revolving credits	16	4.44	(33,150)	(33,150)	–	3.50	(20,000)	(20,000)	–
Foreign currency loan in US dollars	16	–	–	–	–	4.06	(827)	(827)	–
Fixed rate instruments									
Deposits	14	3.87	245,327	245,327	–	2.85	252,285	252,285	–
Commercial papers	8	6.45	92	92	–	5.70	40,118	40,118	–
Bonds	16	4.49	(200,000)	–	(200,000)	4.75	(200,000)	–	(200,000)
Unsecured fixed term loan	16	4.19	(100,000)	(10,000)	(90,000)	4.11	(100,000)	–	(100,000)
			(178,513)	111,487	(290,000)		(117,311)	182,689	(300,000)
Company									
Fixed rate instruments									
Deposits	14	3.87	158,910	158,910	–	2.66	208,161	208,161	–
Commercial papers	8	6.45	92	92	–	5.70	40,118	40,118	–
Bonds	16	4.49	(200,000)	–	(200,000)	4.75	(200,000)	–	(200,000)
Unsecured fixed term loan	16	4.19	(100,000)	(10,000)	(90,000)	4.11	(100,000)	–	(100,000)
			(140,998)	149,002	(290,000)		(51,721)	248,279	(300,000)

27. FINANCIAL INSTRUMENTS (CONT'D.)

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.

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.

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

	2006 Carrying amount	**2006 Fair value**	2005 Carrying amount	2005 Fair value
Group				
Financial assets				
Investment in quoted shares	**7,673**	**4,328**	34,788	127,505
Commercial papers	**92**	**97**	40,118	40,373
	7,765	**4,425**	74,906	167,878
Financial liabilities				
Bonds	**200,000**	**190,424**	200,000	187,517
Unsecured fixed rate term loan	**100,000**	**99,406**	100,000	97,532
	300,000	**289,830**	300,000	285,049

27. FINANCIAL INSTRUMENTS (CONT'D.)

	2006 Carrying amount	2006 Fair value	2005 Carrying amount	2005 Fair value
Company				
Financial assets				
Investments in quoted shares	–	–	19,916	88,413
Commercial papers	92	97	40,118	40,373
	92	97	60,034	128,786
Financial liabilities				
Bonds	200,000	190,424	200,000	187,517
Unsecured fixed rate term loan	100,000	99,406	100,000	97,532
	300,000	289,830	300,000	285,049

Estimation of fair values

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

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

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

28. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2006	2005	2006	2005
Capital expenditure commitments				
Plant and equipment				
Authorised but not contracted for:				
Within one year	35,634	24,237	2,000	2,000
Contracted but not provided for and payable:				
Within one year	60,486	656	117	179
	96,120	24,893	2,117	2,179

29. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see Note 6) and associates (see Note 7).

Other related party transactions

	Group		Company	
	2006	2005 restated	**2006**	2005 restated
Holding company				
Permodalan Nasional Berhad Group of Companies				
Sales of products	**182,580**	115,330	–	–
Subsidiaries of substantial shareholder of a subsidiary				
TH Plantations Berhad				
Sales of products	**11,553**	20,060	–	–
PT Multigambut Industri Sales of products	**36,357**	13,483	–	–
Subsidiaries				
CCM Fertilizers Sdn. Bhd.				
Rental income on land and buildings	**–**	–	3,314	3,314
Interest income	**–**	–	274	907
Shared costs income	**–**	–	1,500	1,350
CCM Chemicals Sdn. Bhd.				
Rental income on land and buildings	**–**	–	393	275
Interest expenses	**–**	–	81	–
Shared costs income	**–**	–	1,500	1,960

29. RELATED PARTIES (CONT'D.)

Other related party transactions (Cont'd.)

	Group		Company	
	2006	2005 restated	**2006**	2005 restated
Subsidiaries				
Upha Pharmaceuticals Manufacturing (M) Sdn. Bhd.				
Shared costs income	**–**	–	**1,500**	1,300
CCM Duopharma Biotech Berhad				
Shared costs income	**–**	–	**1,500**	–
Prima Health Pharmacy (Retail) Sdn. Bhd.				
Inter-company advances written-off	**–**	–	**1,850**	3,480
Balances in respect of trade balances				
Subsidiaries				
Amount owing from				
– CCM Pharmaceuticals Sdn. Bhd.	**–**	–	**9,482**	105
– Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	**–**	–	**23,134**	15,325
– CCM Pharma Sdn. Bhd.	**–**	–	**315**	822
– Prima Health Pharmacy (Retail) Sdn. Bhd.	**–**	–	**5**	–
– CCM Fertilizers Sdn. Bhd.	**–**	–	**7,420**	3,521
– CCM Chemicals Sdn. Bhd.	**–**	–	**8,350**	8,390
– CCM Investments Limited	**–**	–	**84,398**	22,834
– CCM Marketing Sdn. Bhd.	**–**	–	**319,516**	319,174
– CCM International Sdn. Bhd.	**–**	–	**491**	–
– PT CCM Indonesia	**–**	–	**13,918**	4
– CCM Agri-Max Sdn. Bhd.	**–**	–	**15**	5
– Innovax Sdn. Bhd.	**–**	–	**1,103**	–
– CCM Duopharma Biotech Berhad	**–**	–	**297**	49
– CCM Siam Ltd	**–**	–	**167**	–
– PT CCM AgriPharma	**–**	–	**7,885**	–
– Usaha Kimia (M) Sdn. Bhd.	**–**	–	**9**	–
Associated company				
Amount owing from				
– Orica-CCM Energy Systems Sdn. Bhd.	**197**	295	**72**	142

29. RELATED PARTIES (CONT'D.)

	Group		Company	
	2006	2005 restated	**2006**	2005 restated
Balances in respect of non-trade balances				
Subsidiaries				
Advances owing from				
– Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	**–**	–	**22,407**	19,674
– CCM International Sdn. Bhd.	**–**	–	**1,500**	–
– CCM Agri-Max Sdn. Bhd.	**–**	–	**25,769**	–
Advances owing to				
– CCM Fertilizers Sdn. Bhd.	**–**	–	**–**	4,600
– CCM Investments Limited	**–**	–	**18,656**	–
– CCM International Sdn. Bhd.	**–**	–	**16,320**	37,665
– Liberal Wira Sdn. Bhd.	**–**	–	**867**	868
– Kibaran Kemas Sdn. Bhd.	**–**	–	**2,168**	2,168
– Euphorex Corporation Sdn. Bhd.	**–**	–	**1,044**	51
– CCM Agriculture Sdn. Bhd.	**–**	–	**308**	2,673
– Usaha Progresif Sdn. Bhd.	**–**	–	**2,361**	2,362
– CCM Singapore Pte. Ltd.	**–**	–	**38**	91

All outstanding balances with these related parties are priced on an arm's length basis. None of the balances is secured.

Bursa Malaysia Securities Berhad had written a letter dated 11 October 2006 to approve the Company's application for waiver from complying with Paragraph 10.08 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 interest.

30. ACQUISITIONS OF SUBSIDIARIES AND MINORITY INTEREST

Business combination

On 2 October 2006, the Company acquired the remaining shares in Usaha Kimia (M) Sdn Bhd ("UKSB") for RM156,800 satisfied in cash. Accordingly, UKSB becomes a wholly-owned subsidiary. UKSB is involved in the marketing of chlor-alkali and chemical products. In the 3 months to 31 December 2006 the subsidiary contributed a loss of RM105,000. If the acquisition had occurred on 1 January 2006, management estimates that consolidated revenue would have been RM11,268,000 and consolidated profit for the year would have been RM11,000.

On 15 June 2006, the Group acquired all shares in CCM Pharmaceuticals (S) Pte. Ltd. ("CCMPS") (formerly known as Duopharma Trading (S) Pte. Ltd.) for RM244,000 satisfied in cash. Accordingly, CCMPS become a wholly-owned subsidiary. CCMPS is involved in distribution, importing and exporting and wholesaler of medicinal and pharmaceuticals products. In the 6 months to 31 December 2006 the subsidiary contributed loss of RM68,000. If the acquisition had occurred on 1 January 2006, management estimates that consolidated revenue would have been RM3,396,000 and consolidated profit for the year would have been RM238,000.

The acquisitions had the following effect on the Group and the Company's assets and liabilities on the respective acquisition dates:

	Note	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Group				
Property, plant and equipment		22	–	22
Inventories		861	–	861
Receivables, deposits and prepayments		4,739	–	4,739
Cash and cash equivalents		1,572	–	1,572
Payables and accruals		(7,312)	–	(7,312)
Net identifiable assets and liabilities		(118)	–	(118)
Goodwill on acquisitions (net)				644
Consideration paid, satisfied in cash				526
Cash acquired				(1,572)
Net cash inflow				(1,046)

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values.

30. ACQUISITIONS OF SUBSIDIARIES AND MINORITY INTEREST (CONT'D.)

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business work force and the synergies expected to be achieved from integrating the company into the Group's existing pharmaceuticals business.

Acquisition of minority interest

On 29 December 2006, the Group acquired an additional 26.7%, 28% and 38.3% interest respectively in Unique Pharmacy (Ipoh) Sdn. Bhd., Unique Pharmacy (Penang) Sdn. Bhd., and Sentosa Pharmacy Sdn. Bhd. for RM2,031,000 in cash, increasing its ownership from 73.3%, 72% and 61.7% respectively to become wholly-owned subsidiaries of CCM Pharmaceuticals Sdn Bhd.. The carrying amount of Unique Pharmacy (Ipoh) Sdn. Bhd., Unique Pharmacy (Penang) Sdn. Bhd., and Sentosa Pharmacy Sdn. Bhd.'s net assets in the consolidated financial statements on the date of the acquisition were RM1,065,000, RM2,145,000 and RM2,374,000. The Group recognised a decrease in minority interest of RM2,031,000.

31. SUBSEQUENT EVENTS

On 30 March 2007, the Group through a subsidiary, Prima Health Pharmacy (Retail) Sdn. Bhd. has closed down all its pharmacy outlets. Prima Health Pharmacy (Retail) Sdn. Bhd. remained dormant thereafter.

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.

32. CHANGES IN ACCOUNTING POLICIES

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The significant change in accounting policy arising from the adoption of FRS 140, Investment Property is summarised below:

FRS 140, Investment Property

The Group and the Company now measures all investment property at fair value with any change therein recognised in the income statement. In the previous years, all investment properties were stated at revalued amounts less accumulated depreciation and impairment loss and were classified in property, plant and equipment. Following the adoption of FRS 140, Investment Property, all investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statement. This change in accounting policy has been applied prospectively as allowed by the transitional provisions in FRS 140.80 as an adjustment to the opening balance of retained earnings and comparatives are not restated.

The effects on the current year are as follows:

(i) land and buildings of the Group and of the Company amounting to RM66,627,000 and RM138,578,000 respectively as at 1 January 2006 are reclassified from property, plant and equipment to investment properties; and

(ii) related revaluation surplus land and buildings of the Group and of the Company amounting to RM11,564,000 and RM24,505,000 as at 1 January 2006 are reclassified to retained earnings.

This change in accounting policy has no impact on income statement and earnings per ordinary share for the current year.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation requirements of FRS 101:

	Group		Company	
	As restated	As previously stated	As restated	As previously stated
Balance sheet				
Receivables, deposits and prepayments	204,788	210,324	391,304	394,107
Current tax assets	5,536	–	2,803	–
Deferred tax assets	5,978	76	–	–
Deferred tax liabilities	(40,543)	(34,641)	–	–
Income statements				
Share of profit after tax and minority interest of equity accounted associate	2,758	3,897	–	–
Tax expense	(23,087)	(24,226)	–	–
Cash flow statements				
Cash flows from operating activities:				
Profit before tax	129,167	130,306	–	–
Share of profit of equity accounted associate	(2,758)	(3,897)	–	–

Following the adoption of FRS 3, Business Combinations, minority interests was reclassified into equity. Likewise, in arriving at profit for the year, minority interests was not deducted.