

NOTES TO THE FINANCIAL STATEMENTS

CCM Duopharma Biotech Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:-

Principal Place of Business

Lot 2599, Jalan Seruling 59
Kawasan 3, Taman Klang Jaya
41200 Klang
Selangor Darul Ehsan
Malaysia

Registered Office

13th Floor, Menara PNB
201-A, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 December 2015 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are disclosed in Note 6.

The immediate and intermediate holding companies during the financial year are CCM Marketing Sdn. Bhd. and Chemical Company of Malaysia Berhad, a public listed company. The ultimate holding company during the financial year is Permodalan Nasional Berhad. All the holding companies were incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 22 March 2016.

1. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of Compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 11, MFRS 12, MFRS 14, Amendments to MFRS 127, MFRS 128 and MFRS 141 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of Compliance (continued)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group and the Company except as mentioned below:-

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and Presentation Currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of Estimates and Judgments

The preparation of the financial statements in conformity with MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- Note 4 – Valuation of investment property
- Note 6 – Investment in subsidiaries

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business Combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Consolidation (continued)

(iii) Loss of Control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Transactions Eliminated on Consolidation

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

(b) Foreign Currency

(i) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign Currency (continued)

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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

(c) Financial Instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:-

Financial assets

Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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

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

Loans and receivables

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

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

All financial assets are subject to review for impairment (see Note 2(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Financial guarantee contracts

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

(iii) Financial guarantee contracts (continued)

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, Plant and Equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(i) Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

• leasehold land	48 - 96 years
• buildings	50 years
• plant and machineries	5 - 10 years
• office equipment, furniture and fittings	5 - 20 years
• motor vehicles	4 - 10 years
• renovations	10 years

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(iii) Depreciation (continued)

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

(e) Leased Assets

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible Assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

An intangible asset with an indefinite useful life should not be amortised.

Its useful life should be reviewed at each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate.

(ii) Brand name

Brand name is stated at cost less any accumulated impairment losses. Brand name has an indefinite use life as it is maintained through continuous marketing and upgrading.

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible Assets (continued)

(v) Amortisation

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

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

(g) Investment Property

(i) Investment property carried at fair value

Investment properties are properties which are owned or held under leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. This includes land held for a currently undetermined future use.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment Property (continued)

(ii) Reclassification to/from investment property

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

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with financial institutions and highly liquid investments which have an insignificant risk of changes on fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment

(i) Financial assets

All financial assets (except for investment in a subsidiary) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Financial assets (continued)

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(ii) Other assets (continued)

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

(k) Equity Instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(iv) Distribution of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee Benefits

(i) Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(m) Provisions

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

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.

(n) Revenue and Other Income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and Other Income (continued)

(ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Interest income

Interest income is recognised as it accrues, using the effective interest method in profit or loss.

(o) Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Tax Expense

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Tax Expense (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(q) Earnings Per Ordinary Share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is not presented as the Group has no shares or other instruments with potential dilutive effects.

(r) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Group's Chief Executive Officer ("GCEO") of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Contingencies

(i) 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 not recognised in the statements of financial position and 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.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(t) Fair Value Measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Capital work-in- progress RM'000	Total RM'000
Cost											
At 1 January 2014		12,897	-	54,248	-	81,035	4,990	570	729	-	154,469
Additions		-	-	1,152	-	8,774	189	210	1	2,101	12,427
Disposals		-	-	-	-	(19)	-	-	-	-	(19)
Write off		-	-	-	-	(2)	(219)	-	-	-	(221)
Transfer to intangible asset	5	-	-	-	-	-	-	-	-	(2,001)	(2,001)
At 31 December 2014/ 1 January 2015		12,897	-	55,400	-	89,788	4,960	780	730	100	164,655
Acquisitions through business combination		44,885	8,600	1,616	50,429	33,839	1,360	250	9	-	140,988
Additions		-	-	243	-	28,013	253	-	164	11,331	40,004
Write off		-	-	-	(365)	(2,373)	(21)	(156)	-	-	(2,915)
Transfer from investment properties	4	12,100	-	-	-	-	-	-	-	-	12,100
Transfer to intangible asset	5	-	-	-	-	-	-	-	-	(2,734)	(2,734)
At 31 December 2015		69,882	8,600	57,259	50,064	149,267	6,552	874	903	8,697	352,098

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation											
At 1 January 2014		-	-	2,879	-	49,145	2,767	451	325	-	55,567
Depreciation for the year		-	-	1,100	-	6,699	355	66	48	-	8,268
Disposals		-	-	-	-	(19)	-	-	-	-	(19)
Write off		-	-	-	-	(2)	(219)	-	-	-	(221)
At 31 December 2014/ 1 January 2015		-	-	3,979	-	55,823	2,903	517	373	-	63,595
Depreciation for the year	3.1	-	102	3,219	1,262	16,123	624	141	61	-	21,532
Write off		-	-	-	(35)	(2,125)	(21)	(138)	-	-	(2,319)
At 31 December 2015		-	102	7,198	1,227	69,821	3,506	520	434	-	82,808
Carrying amounts											
At 31 December 2014/ 1 January 2015		12,897	-	51,421	-	33,965	2,057	263	357	100	101,060
At 31 December 2015		69,882	8,498	50,061	48,837	79,446	3,046	354	469	8,697	269,290

3.1 Change in estimate

During the current financial year, the Group has decided to build a new state of the art Oral Solid Dosage (“OSD”) plant (to be named as K3) to replace K1. Construction of K3 is expected to commence in first half of 2016 and it will take around 3 years to complete. Upon completion of K3 with newly enhanced Good Manufacturing Practice (“GMP”) features, the operation of K1 will be relocated to K3. In view of the above firm plan, K1 will have a finite useful life of approximately 5 years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Change in estimate (continued)

The effect of these changes on depreciation expense, recognised in cost of sales, in current and future period is as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Later RM'000
Increase in depreciation expense	1,609	1,609	1,609	1,609	1,609	(8,045)

4. INVESTMENT PROPERTY

	Note	Group	
		2015 RM'000	2014 RM'000
At 1 January		11,500	11,500
Acquisition through business combination	27.1	1,600	–
Transfer to property, plant and equipment	3	(12,100)	–
At 31 December		1,000	11,500
Included in the above is:			
At fair value			
Freehold land		–	11,500
Leasehold land with unexpired lease period of more than 50 years		1,000	–

During the financial year, the investment property has been transferred to property, plant and equipment (see Note 3), since the land will be used as warehouse of the Group and would not be leased to a third party.

The fair value of the investment properties are determined by the Directors of the Group based on an external independent valuation company using an open market value method. Valuations are performed by accredited independent valuers with recent experience in the location and categories of properties being valued.

Investment properties of the Group comprise an industrial land which is vacant as at the reporting date. No contingent rents are charged.

4. INVESTMENT PROPERTY (CONTINUED)

4.1 Fair value information

Fair value of investment property is categorised as follows:-

	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015			
Land	–	1,000	1,000
2014			
Land	–	11,500	11,500

Level 2 fair value

Level 2 fair value of freehold land have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sales comparison approach: Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.	Recent transactions of similar properties at or near reporting date with similar land usage, land size and location. The characteristics, merits and disadvantages of these properties are noted and diligent adjustments thereof are then made by valuer to reflect the differences and to arrive at the value of the property.	The estimated fair value would increase (decrease) if recent transactions of similar properties at or near reporting date with similar land usage, land size and location were higher (lower).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. INVESTMENT PROPERTY (CONTINUED)

4.1 Fair value information (continued)

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment property is determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment property portfolio every twelve months. Changes in Level 3 fair values are analysed by the Management every twelve months after obtaining valuation report from the valuation company.

Highest and best use

The Group's investment property was a freehold industrial land and currently acquired a vacant residential land and a factory building through business combination. The highest and best use of the property should be an industrial land and shop house located nearby the Group's investment property.

5. INTANGIBLE ASSET

	Note	Marketing rights RM'000	Brands RM'000	Development costs RM'000	Total RM'000
Group					
At 1 January 2014		-	-	1,062	1,062
Transfer from property, plant and equipment	3	-	-	2,001	2,001
At 31 December 2014/1 January 2015		-	-	3,063	3,063
Acquisition through business combinations	27.1	-	3,200	-	3,200
Additions		696	-	717	1,413
Disposal		-	(1,600)	-	(1,600)
Transfer from property, plant and equipment	3	-	-	2,734	2,734
At 31 December 2015		696	1,600	6,514	8,810

Brands

The carrying amount of brands represents the acquisition of the brand name of the over-the-counter products. The Group has not amortised the brand as the Group is of the opinion that the brands have indefinite useful lives. It is reasonably anticipated that the brands will be recovered through future commercial activity.

5. INTANGIBLE ASSET (CONTINUED)

Impairment loss

The Group has assessed the carrying amount for impairment during the year. It is reasonably anticipated that the brands will be recovered through future commercial activity.

There is no impairment loss recognised in the current year.

Impairment testing for cash-generating units containing brands

The recoverable amount of the brands were based on value in use of the investment in the business of the products relating to the brands acquired (“the business”). These calculations use pre-tax cash flow projections based on financial budgets approved by Management.

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

- (a) Cash flows were projected based on past experience, actual operating results and 3 years (2014: 3 years) budget. Cash flows for a further 2 years (2014: 2 years) period were extrapolated using a growth rate of 15 percent (2014: 15 percent). Management believes that these 5 years (2014: 5 years) forecast period was justified due to the long term nature of the business.
- (b) The anticipated growth rate for revenue was projected in accordance with the Group’s 3 years (2014: 3 years) budget and subsequently projected based on growth rate as stated in Note (a) above.
- (c) A pre-tax discount rate of 6.05 percent (2014: 5.58 percent) was applied in determining the recoverable amount. The discount was estimated based on the Group’s weighted average cost of capital (“WACC”).

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

Development costs

The carrying amount of development costs represents costs incurred to jointly conduct clinical trials with its technology partner for the purpose of commercialisation of biosimilar products. The Group will hold the exclusive commercialisation rights for product marketing and distribution in Malaysia, Singapore and Brunei, as well as the exclusive and perpetual royalty-free license to use the technical information. The products have yet to be fully commercialised at year-end. The Management made an assumption that the development costs will be recovered through future commercial activity when the products are fully commercialised in the future.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RM'000	2014 RM'000
Unquoted share, at cost	208,505	40,187

Details of the subsidiaries are as follows:-

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2015 %	2014 %
Duopharma (M) Sdn. Bhd. and its subsidiaries	Malaysia	Manufacturing, distribution, importing and exporting of pharmaceutical products and medicines	100	100
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	100	-
CCM Pharma Sdn. Bhd.	Malaysia	Property management and services	100	-
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries	Malaysia	Marketing and sales of medicine and pharmaceutical products	100	-
CCM Biopharma Sdn. Bhd.	Malaysia	Dormant	100	-
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	100	-
Unique Pharmacy (Ipoh) Sdn. Bhd.	Malaysia	Dormant	100	-
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	100	-
Negeri Pharmacy Sdn. Bhd.	Malaysia	Dormant	100	-
Innovax Sdn. Bhd.	Malaysia	Research and development pharmaceutical products	100	-
CCM Pharmaceuticals (S) Pte. Ltd. #	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	100	-
CCM International (Philippines), Inc. #	Philippines	Distribution, importing and exporting pharmaceutical and chemical products	100	-

Not audited by member firms of KPMG International

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

On 27 November 2014, CCM Duopharma had entered into the following share sales agreements (“SSA”) (hereinafter the CCMD SSA, the Philippines Company SSA, the Singapore Company SSA and the DMSB SSA are collectively referred to as the “SSAs”, the shares that are the subject matter of the SSAs are collectively referred to as the “Sale Shares”; and the aforesaid proposed acquisition of CCM Pharmaceuticals, Innovax, CCM Philippines, CCM Singapore, CCM Pharma and Upha Pharmaceutical are collectively referred to as the “Acquisition”).

The total purchase consideration of the Sale Shares would amount to RM133,325,000 (“Purchase Consideration”) and the aforesaid settlement of advances would amount to RM111,798,000.

- (i) A conditional share sale agreement for the acquisition of the entire equity interest in CCM Pharmaceuticals Sdn. Bhd. (“CCM Pharmaceuticals”) and Innovax Sdn. Bhd. (“Innovax”) from Chemical Company of Malaysia Berhad (“CCMB”) for an aggregate purchase consideration of RM17,600,000 together with the settlement of advances due from Innovax, and CCM Pharmaceuticals and its subsidiaries to CCMB and its subsidiaries (“CCMB Group”) amounting to RM10,655,000 based on 30 September 2014 to be settled via cash (“CCMD SSA”);
- (ii) A conditional share sale agreement for the acquisition of the entire equity interest in CCM International (Philippines), Inc. (“CCM Philippines”) from CCM Investments Ltd., a wholly-owned subsidiary of CCMB (“CCM Investments”) for a purchase consideration of RM1,000 to be settled via cash (“Philippines Company SSA”); and
- (iii) A conditional share sale agreement for the acquisition of the entire equity interest in CCM Pharmaceuticals (S) Pte. Ltd. (“CCM Singapore”) from CCM International Sdn. Bhd., a wholly-owned subsidiary of CCMB (“CCM International”) for a purchase consideration of RM2,417,000 together with the settlement of advances due from CCM Singapore to the CCMB Group amounting to RM27,000 based on 30 September 2014 to be settled via cash (“Singapore Company SSA”); and
- (iv) Duopharma (M) Sdn. Bhd. (“DMSB”), a wholly-owned subsidiary of CCM Duopharma had on 27 November 2014 entered into a conditional share sale agreement for the proposed acquisition of the entire equity interest in CCM Pharma Sdn. Bhd. (“CCM Pharma”) and Upha Pharmaceutical Manufacturing (M) Sdn. Bhd. (“Upha Pharmaceutical”) from CCMB for an aggregate purchase consideration of RM113,307,000 together with the settlement of advances due from CCM Pharma and Upha Pharmaceutical to the CCMB Group amounting to RM101,116,000 based on 30 September 2014 to be settled via cash (“DMSB SSA”).

The transactions above mentioned was completed on 27 May 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current					
Non-trade					
Amount due from subsidiaries	7.1	–	–	151,172	62,503
Current					
Trade					
Trade receivables		86,095	34,219	–	–
Amount due from related companies	7.2	4,477	2,099	–	–
		90,572	36,318	–	–
Non-trade					
Amount due from intermediate holding company	7.3	2,361	637	–	637
Amount due from related companies	7.2	–	–	2,856	–
Other receivables, deposits and prepayments	7.4	12,665	6,952	–	–
		15,026	7,589	2,856	637
		105,598	43,907	2,856	637

7.1 The non-trade amount due from subsidiaries are unsecured, subject to interest at 4.55% – 5.65% (2014: 5.60%) per annum. The non-current amount is not repayable over the next 12 months.

7.2 The trade amount due from related companies is unsecured, interest free and subject to the normal trade terms.

7.3 The non-trade amount due from the intermediate holding company is unsecured, interest free and repayable on demand.

7.4 Included in other receivables, deposits and prepayments are deposits for new plant and machineries amounting to RM5,417,000 (2014: RM6,863,000).

8. INVENTORIES

	Group	
	2015 RM'000	2014 RM'000
Raw materials and consumables	75,902	15,152
Work-in-progress	4,160	3,014
Packing materials	11,115	5,603
Finished goods	12,290	20,875
	103,467	44,644
Recognised in profit or loss:		
Inventories recognised as cost of sales	139,324	90,002
Write-down to net realisable value	3,674	9,261
Reversal of provision for obsolete stocks	(2,116)	(3,935)

The review was necessary in view of implementation of new stability guidelines from National Pharmaceuticals Control Bureau which imposes stringent requirements for extrapolations of proposed shelf life based on stability data. Revised requirement on storage conditions will result in newly registered products and also existing registered products to carry shelf life of less than 3 years. The revision has reduced the provision of slow moving stock recognised in cost of sales in current financial year estimated at RM4.9 million.

9. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits placed with licensed banks		13,092	7,173	5,413	–
Cash and bank balances		34,418	11,130	532	130
Highly liquid investments with financial institutions	9.1	96,000	–	96,000	–
		143,510	18,303	101,945	130

9.1 Highly liquid investments with financial institution

The Directors regard the highly liquid investments as cash and cash equivalents in view of its high liquidity and insignificant changes in value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. CAPITAL AND RESERVES

10.1 Share capital

	Number of shares 2015 '000	Group and Company		Amount 2014 RM'000
		Amount 2015 RM'000	Number of shares 2014 '000	
Authorised				
Ordinary shares of RM0.50 each	500,000	250,000	200,000	100,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
At 1 January	139,479	69,739	139,479	69,739
Issued for cash through Right Issues	139,479	69,739	–	–
At 31 December	278,958	139,478	139,479	69,739

Ordinary shares

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, all rights are suspended until those shares are reissued.

10.2 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

10.3 Translation reserve

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

10.4 Treasury shares

The shareholders of the Company, by a special resolution passed at the extraordinary general meeting held on 25 June 2004, approved the Company's plan to purchase its own shares and the authority was reviewed at the Fourth Annual General Meeting of the Company held on 29 June 2005. The renewal of authority for purchase of its own shares lapsed at the conclusion of the Fifth Annual General Meeting held on 18 May 2006 and no further renewal was sought.

10. CAPITAL AND RESERVES (CONTINUED)

10.4 Treasury shares (continued)

During the financial year, the Company re-issued its entire 658,000 treasury shares by resale in the open market for a total consideration of approximately RM2,172,000 with a transaction cost of RM8,000. The average resale price of the treasury shares was RM3.30 per share.

Details of the resale of treasury shares were as follows:-

2015	Average resale price RM	Highest resale price RM	Lowest resale price RM	Number of treasury shares resold	Total consideration received RM
February	3.30	3.37	3.09	658,000	2,172,000

11. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see Note 25.

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current - unsecured					
Term loan	11.1	7,989	–	7,989	–
Bank Overdraft		10,958	–	–	–
Non-current- unsecured					
Term loan	11.1	103,809	–	103,809	–

11.1 Unsecured term loan

On 30 June 2015, the Company obtained a RM245 million term loan facility, divided into two tranches. The Company has settled Tranche 1 of RM133 million on 23 July 2015. Tranche 2 of RM112 million is payable over 7 years and is subject to interest at the rate of 4.5% per annum.

The significant covenant for the unsecured term loan above are as follows:-

- (i) It is a condition that CCM Marketing Sdn. Bhd. shall at all time, directly or indirectly, owns its majority shareholding in the Company's issued and paid up share capital, and
- (ii) Gearing ratio at the Company shall not exceed 1.5 times throughout the tenure of the facility.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. DEFERRED TAX LIABILITIES

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:-

Group	Assets		Liabilities		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Property, plant and equipment	-	-	(22,992)	(7,700)	(22,992)	(7,700)
Provisions	1,748	76	-	-	1,748	76
Unutilised capital allowance						
carry-forwards	5,988	-	-	-	5,988	-
Unutilised reinvestment allowance	4,139	-	-	-	4,139	-
Tax losses carry-forwards	1,056	-	-	-	1,056	-
Other items	4,854	2,124	-	-	4,854	2,124
Tax assets/(liabilities)	17,785	2,200	(22,992)	(7,700)	(5,207)	(5,500)
Set off of tax	(17,785)	(2,200)	17,785	2,200	-	-
Net tax liabilities	-	-	(5,207)	(5,500)	(5,207)	(5,500)

Movement in temporary differences during the year

Group	Recognised in profit or loss		Recognised in profit or loss		Arising from business combination	
	At 1.1.2014 RM'000	(Note 19) RM'000	At 31.12.2014/ 1.1.2015 RM'000	(Note 19) RM'000	(Note 27) RM'000	At 31.12.2015 RM'000
Property, plant and equipment	(7,261)	(439)	(7,700)	330	(15,622)	(22,992)
Provisions	71	5	76	924	748	1,748
Unutilised capital allowance						
carry-forwards	-	-	-	(649)	6,637	5,988
Unutilised reinvestment allowance	-	-	-	(173)	4,312	4,139
Tax losses carry-forwards	-	-	-	(84)	1,140	1,056
Other items	2,741	(617)	2,124	543	2,187	4,854
Total	(4,449)	(1,051)	(5,500)	891	(598)	(5,207)

13. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade					
Trade payables		7,951	4,473	-	-
Amount due to related companies	13.1	40	3,106	-	-
		7,991	7,579	-	-
Non-trade					
Amount due to intermediate holding company	13.2	14,343	1,748	-	-
Amount due to related companies	13.2	685	753	-	-
Other payables		19,317	2,891	-	-
Accrued expenses		12,465	7,895	170	716
Provision		964	758	-	-
		47,774	14,045	170	716
		55,765	21,624	170	716

13.1 The trade amount due to related companies is unsecured.

13.2 The non-trade amounts due to intermediate holding company and related companies are unsecured, interest free and repayable on demand.

14. REVENUE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Sale of goods	269,794	176,961	-	-
Dividend income from an unquoted subsidiary in Malaysia	-	-	28,500	22,440
	269,794	176,961	28,500	22,440

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Operating profit is arrived at after charging:				
Auditors' remuneration:				
- Audit fees	196	78	30	20
- Non-audit fees	89	14	89	14
Depreciation on property, plant and equipment	21,532	8,268	-	-
Impairment loss:				
- Trade receivables	1,031	20	-	-
Interest expense	3,740	438	2,928	2
Inventories write-down	5,244	9,261	-	-
Loss on disposal of property, plant and equipment	596	-	-	-
Net realised foreign exchange loss	-	220	-	-
Personnel expenses (including key management personnel):				
- Contributions to state plans	7,042	2,499	-	-
- Wages, salaries and others	38,808	23,847	-	-
Rental expenses of premises	2,098	46	-	-
Research and development costs expensed as incurred	6,302	2,463	-	-
and after crediting:				
Dividend income from				
- A subsidiary in Malaysia (unquoted)	-	-	28,500	22,440
Gain from highly liquid investment with financial institutions	148	-	148	-
Gain on disposal of property, plant and equipment	-	7	-	-
Interest income	1,384	165	5,202	2,453
Net realised foreign exchange gain	77	-	-	-
Net unrealised foreign exchange gain	811	173	-	-
Rental income	312	-	-	-
Reversal of impairment loss on trade receivables	66	-	-	-
Reversal of provision for obsolete stocks	2,116	3,935	-	-

16. FINANCE INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income of financial assets that are not at fair value through profit or loss:				
- recognised before impairment	1,384	165	5,202	2,453

17. FINANCE COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- finance charges	3,605	-	2,920	-
Other finance charges	135	438	8	2
	3,740	438	2,928	2

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:-

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors				
- Fees	380	408	380	408
Other key management personnel				
- Remuneration	2,001	2,031	-	-
Total short-term employee benefits	2,381	2,439	380	408

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

The Group pays management fee to the intermediate holding company in relation to services of certain key management personnel of the Group as disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current tax expense				
- current year	12,968	10,474	555	603
- over provision in prior years	(639)	(299)	-	(13)
Total current tax recognised in profit or loss	12,329	10,175	555	590
Deferred tax (benefit)/expense				
Origination and reversal of temporary differences	(382)	1,165	-	-
Over provision in prior year	(252)	(114)	-	-
Effect of changes in tax rate	(257)	-	-	-
Total deferred tax recognised in profit or loss	(891)	1,051	-	-
Total income tax expense	11,438	11,226	555	590
Reconciliation of effective tax rate				
Profit for the year	36,391	35,275	29,838	22,722
Total income tax expense	11,438	11,226	555	590
Profit excluding tax	47,829	46,501	30,393	23,312
Income tax calculated using				
Malaysian tax rate of 25% (2014: 25%)	11,957	11,625	7,598	5,828
Non-deductible expenses	2,620	590	493	385
Tax exempt income	(139)	(41)	(7,536)	(5,610)
Tax incentives	(1,852)	(616)	-	-
Other items	-	81	-	-
Over provision in prior years	(891)	(413)	-	(13)
Effect of change in tax rate	(257)	-	-	-
	11,438	11,226	555	590

20. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2015 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:-

Group	2015 RM'000	2014 RM'000
Profit attributable to ordinary shareholders	36,391	35,275

	2015 '000	Group 2014 '000
Issued ordinary shares at 1 January	138,821	139,479
Effect of treasury shares held	-	(658)
Weighted average number of shares arising from Reissuance of treasury shares during the period	554	-
Weighted average number of shares arising from Right Issues exercise during the period	62,288	-
Weighted average number of ordinary shares at 31 December	201,663	138,821

	2015 Sen	Group 2014 Sen
Basic earnings per ordinary share	18.05	25.41

Diluted earnings per ordinary share

Diluted earnings per ordinary share is not presented as the Group has no shares or other instruments with potential dilutive effects as at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2015			
Final 2014 ordinary (single-tier)	14.50	20,225	25 June 2015
Interim 2015 ordinary (single-tier)	4.00	11,158	6 November 2015
Total amount		31,383	

	Sen per share	Total amount RM'000	Date of payment
2014			
Final 2013 ordinary (single-tier)	13.50	18,741	20 June 2014
Interim 2014 ordinary (single-tier)	4.00	5,553	7 November 2014
Total amount		24,294	

After the end of the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 2015 ordinary (single-tier)	5.50	15,343

22. OPERATING SEGMENTS

The Group operate principally in Malaysia and its major business segment being manufacturing and distribution of pharmaceutical products categorised by geographical area as mentioned in geographical segment. The Group's Chief Executive Officer ("GCEO"), who is the chief operating decision maker reviews internal management reports regularly.

Accordingly, no segment information is provided as the financial position and performance are as already shown in the Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income.

22. OPERATING SEGMENTS (CONTINUED)

Geographical segments

Segment revenue is based on geographical location of customers, and are managed separately because they require different marketing strategies.

Segment assets are not used to measure the financial position of the respective segments and not included in the internal management reports that are reviewed by the GCEO, as all assets within the Group, other than trade receivables, are attributed to the business activities in Malaysia.

	Group	
	2015 RM'000	2014 RM'000
Revenue from external customers:		
Local	246,492	162,385
Export	23,302	14,576
	269,794	176,961
Revenue from external trade receivables:		
Local	68,583	29,317
Export	17,512	4,902
	86,095	34,219

Major customers

Revenue from two major customers amount to approximately RM106,548,000 (2014: RM96,330,000) of the Group's total revenue.

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss (FVTPL);
- Held for trading (HFT); and
- (c) Financial liabilities measured at amortised cost ("FL").

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.1 Categories of financial instruments (continued)

2015	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
Financial assets – L&R			
Group			
Trade and other receivables	99,611	99,611	–
Cash and bank balances	47,510	47,510	–
Highly liquid investments	96,000	–	96,000
	243,121	147,121	96,000
Company			
Trade and other receivables	154,028	154,028	–
Cash and bank balances	5,945	5,945	–
Highly liquid investments	96,000	–	96,000
	255,973	159,973	96,000
Financial liabilities			
Group			
Trade and other payables	(54,801)	(54,801)	–
Loan and borrowings	(122,756)	(122,756)	–
	(177,557)	(177,557)	–
Company			
Trade and other payables	(170)	(170)	–
Loan and borrowings	(111,798)	(111,798)	–
	(111,968)	(111,968)	–

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.1 Categories of financial instruments (continued)

2014	Carrying amount	L&R/ (FL)	FVTPL
Financial assets	RM'000	RM'000	RM'000
Group			
Trade and other receivables	36,864	36,864	-
Cash and bank balances	18,303	18,303	-
	55,167	55,167	-
Company			
Trade and other receivables	63,140	63,140	-
Cash and bank balances	130	130	-
	63,270	63,270	-
Financial liabilities			
Group			
Trade and other payables	(20,866)	(20,866)	-
Company			
Trade and other payables	(716)	(716)	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net gains/(losses) on:				
Loans and receivables	501	145	5,350	2,453
Financial liabilities measured at amortised cost	(2,852)	(485)	(2,928)	(2)
	(2,351)	(340)	2,422	2,451

23.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on new customers who require credit facility during the financial year. Depending on the nature of the transactions and the customer's risk profile, the Group may require upfront deposits as collateral.

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. For receivables from corporate, wholesale, private sectors and government sectors, impairment loss will be generally provided for amounts aged more than 270 days based on historical payment trends and patterns unless there is objective evidence to show otherwise.

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

	Group	
	2015 RM'000	2014 RM'000
Public sector	26,650	20,753
Private sector	63,922	15,565
	90,572	36,318

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:-

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2015				
Not past due	81,024	-	-	81,024
Past due 1 -30 days	6,055	-	-	6,055
Past due 31-120 days	3,307	-	-	3,307
Past due more than 120 days	2,506	(2,320)	-	186
	92,892	(2,320)	-	90,572

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.4 Credit risk (continued)

Impairment losses (continued)

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2014				
Not past due	33,719	–	–	33,719
Past due 1 -30 days	1,529	–	–	1,529
Past due 31 - 120 days	900	–	–	900
Past due more than 120 days	1,367	(1,197)	–	170
	37,515	(1,197)	–	36,318

The movements in the allowance for impairment losses of trade receivables during the financial year were:-

	Group	
	2015 RM'000	2014 RM'000
At 1 January	1,197	1,338
Impairment loss recognised	1,097	78
Impairment loss written off	92	(161)
Impairment loss recovered	(66)	(58)
At 31 December	2,320	1,197

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

At 31 December 2015, there is a significant individual impairment loss of RM1,004,000 (2014: RM1,004,000) relating to a customer with dispute invoices during the previous financial year.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.4 Credit risk (continued)

Investments and other financial assets (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, Management does not expect any counterparty to fail to meet its obligations. The Group does not have overdue investments that have not been impaired.

The investment and other financial assets are unsecured.

Impairment losses

As at the end of the reporting period, there was no indication that the investments were not recoverable.

Inter company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Loans and advances are only provided to subsidiary which is wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiary are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiary.

23.5 Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.5 Liquidity risk (continued)

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:-

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2015							
Group							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	54,801	-	54,801	54,801	-	-	-
Term loan	111,798	4.5	147,014	10,501	21,642	59,255	55,616
Bank Overdraft	10,958	-	10,958	10,958	-	-	-
Company							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	170	-	170	170	-	-	-
Term loan	111,798	4.5	147,014	10,501	21,642	59,255	55,616
2014							
Group							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	20,866	-	20,866	20,866	-	-	-
Company							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	716	-	716	716	-	-	-

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

23.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and bank balance that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Euro ("EURO"), Singapore Dollar ("SGD"), Philippine Peso ("PESO") and Great Britain Pound ("GBP").

Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure on foreign currency risk arising from commercial transactions is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

Exposure to foreign currency risk

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

	<i>Denominated in USD</i>	
	2015	2014
	RM'000	RM'000
Group		
Trade receivables	3,414	4,821
Trade payables	(280)	(914)
Bank balances	385	33
Other receivables/(payables)	-	214
Net exposure in the statement of financial position	3,519	4,154

	<i>Denominated in EURO</i>	
	2015	2014
	RM'000	RM'000
Trade receivables	44	498
Other receivables/(payables)	-	4,985
Net exposure in the statement of financial position	44	5,483

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.6 Market risk (continued)

23.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	<i>Denominated in SGD</i>	
	2015	2014
	RM'000	RM'000
Trade receivables	1,346	–
Trade payables	–	(22)
Bank balances	3,014	–
Net exposure in the statement of financial position	4,360	(22)

	<i>Denominated in PESO</i>	
	2015	2014
	RM'000	RM'000
Trade receivables	3,778	–
Trade payables	(500)	–
Bank balances	1,992	–
Net exposure in the statement of financial position	5,270	–

	<i>Denominated in GBP</i>	
	2015	2014
	RM'000	RM'000
Other receivables	–	14
Net exposure in the statement of financial position	–	14

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.6 Market risk (continued)

23.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2014: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2015 RM'000	2014 RM'000
Group		
USD	(264)	(312)
EURO	(3)	(411)
SGD	(327)	2
PESO	(395)	–
GBP	–	(1)

A 10% (2014: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

23.6.2 Interest rate risk

The Group's and the Company's investment in fixed rate deposits with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in short-term receivables and payables are not significantly exposed to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.6 Market risk (continued)

23.6.2 Interest rate risk (continued)

Risk management objectives, policies and processes for managing the risk

The Group and the Company place cash balances with reputable banks to generate interest income for the Group and the Company. The Group and the Company manage their interest risk by placing such balances on varying maturities and interest rate terms.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:-

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate instruments				
Financial assets	13,092	7,173	5,413	–

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position, is as follows:-

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2015					
Financial assets					
Highly liquid investments	–	96,000	–	96,000	96,000
Company					
2015					
Financial assets					
Amount due from subsidiaries	–	–	151,172	151,172	151,172
Highly liquid investments	–	96,000	–	96,000	96,000
	–	96,000	151,172	247,172	247,172
2014					
Financial assets					
Amount due from subsidiaries	–	–	62,503	62,503	62,503

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Highly liquid investments with financial institution

The fair value of the highly liquid investments is determined by reference to the market price per unit of the fund at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.7 Fair value information (continued)

Level 3 fair value

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Loan to subsidiaries	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes management that has overall responsibility for overseeing all significant fair value measurements.

Interest rate used to determine fair value

The interest rate used to discount estimated cash flows is 4.5% (2014: 5.6%).

23.7.1 Fair value hierarchy

Fair value hierarchy has not been presented as there are no financial instruments carried at fair value as at the end of the reporting period.

24. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to safeguard shareholders' interest within the Group and to sustain future development of the business.

During 2015, the Group's was to maintain the debt-to-equity ratio at the lower end range within 0.4:1 to 0.7:1. The debt-to-equity ratio at 31 December 2015 and at 31 December 2014 were as follows:-

	Note	Group	
		2015 RM'000	2014 RM'000
Total loans and borrowings	11	122,756	–
Total equity		449,718	193,630
Debt-to-equity ratios		0.27:1	0:1

24. CAPITAL MANAGEMENT (CONTINUED)

The Group is also required to maintain a maximum debt-to-equity ratio of 1.5 (2014: nil), total liabilities-to-net worth of 1.75 and minimum debt service cover ratio of 2.0 to comply with a debt covenant, failing which, the bank may call an event of default. The Group has complied with the covenants.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

25. CAPITAL AND OTHER COMMITMENTS

	Group	
	2015 RM'000	2014 RM'000
Capital expenditure commitments		
Plant and equipment		
Authorised but not provided for	246,480	10,014
Contracted but not provided for	7,230	14,934

26. 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 or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group, and certain members of senior management of the Group. The Group has related party relationship with its intermediate holding company, related companies and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. RELATED PARTIES (CONTINUED)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below, except for key management personnel compensation which is shown in Note 18. The balances related to the below transactions are shown in Note 7 and 13.

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Intermediate holding company				
Sale of goods	236	-	-	-
Management fees paid	(7,746)	(6,545)	-	-
Interest expenses	(1,047)	-	-	-
Dividend paid	(8,358)	(6,386)	-	-
Immediate holding company				
Dividend paid	(23,025)	(17,908)	-	-
Related companies				
Sale of goods	11	16,454	-	-
Purchases of goods	(437)	(19,210)	-	-
Research and development costs paid to related company	-	(2,463)	-	-
Dividend income received from a subsidiary	-	-	28,500	22,440
Interest income received from subsidiaries	-	-	5,202	2,453

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

All the outstanding balances are unsecured and expected to be settled with cash.

Included in the management fees paid to the intermediate holding company is payment for services of a director and certain key management personnel of the Group amounting to RM800,000 (2014: RM754,000).

27. ACQUISITION OF SUBSIDIARIES

27.1 Acquisition of subsidiaries

On 27 May 2015, the Group acquired all the shares in CCM Pharmaceuticals, Innovax, CCM Philippines, CCM Singapore, CCM Pharma and Upha Pharmaceutical from Chemical Company of Malaysia Berhad and its subsidiaries for RM133,325,000 ("Purchase Consideration") and the settlement of advances amounting to RM111,798,000.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:-

Fair value of consideration transferred

	Group 2015 RM'000
Cash and cash equivalents	245,123
Settlement of pre-existing relationship	(111,798)
Contingent consideration	(2,750)
	130,575

Identifiable assets acquired and liabilities assumed

	Note	Group 2015 RM'000
Property, plant and equipment	3	140,988
Investment properties	4	1,600
Intangible assets	5	3,200
Inventories		61,486
Trade and other receivables		243,399
Tax recoverable		3,156
Cash and cash equivalents		21,726
Loan and borrowings		(19,088)
Deferred tax liabilities	12	(598)
Trade and other payables		(324,134)
Total identifiable net assets		131,735

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. ACQUISITION OF SUBSIDIARIES (CONTINUED)

27.1 Acquisition of subsidiaries (continued)

Net cash outflow arising from acquisition of subsidiaries

	Group 2015 RM'000
Purchase consideration settled in cash and cash equivalents	(130,575)
Cash and cash equivalent acquired	21,726
	(108,849)

28. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:-

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	157,837	145,336	19,341	20,886
- unrealised	1,224	1,137	-	-
	159,061	146,473	19,341	20,886
Less: Consolidation adjustments	(42,304)	(34,724)	-	-
Total retained earnings	116,757	111,749	19,341	20,886

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