

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 its registered office and principal place of business are as follows:

Registered office

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

Principal place of business

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2013 comprise the Company and its subsidiary (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 2013 do not include other entities.

The Company is principally engaged in investment holding, whilst the subsidiary is primarily involved in carrying on business as manufacturer, distributor, importer and exporter of pharmaceutical products and medicines.

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

These financial statements were authorised for issue by the Board of Directors on 12 March 2014.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the 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 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

NOTES to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)*

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

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for Amendments to MFRS 12 and IC Interpretation 21 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014 except for Amendments to MFRS 2 which is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

(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.

NOTES to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

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

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

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

- Note 4 – Valuation of investment property
- Note 6 – Investment in a subsidiary

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the 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 adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group 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. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

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.

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(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.

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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in 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 or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost less any accumulated impairment losses. All 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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(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, 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. 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:

• 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

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

(e) 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 an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any impairment losses.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets (continued)

(ii) 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.

(f) Investment property

(i) Investment property carried at fair value

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. 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-contracted investment property includes the cost of materials and direct labour, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised 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.

(g) Inventories

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

The cost of inventories is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(i) 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 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's is estimated.

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 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 asset 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.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(ii) Other assets (continued)

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

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

(j) 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 and in the statement of changes in equity.

Where 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 non-cash 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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(k) 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.

(l) 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.

(m) 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.

(ii) Dividend income

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

(iii) Interest income

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

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

Income 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.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, 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(f), 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.

(p) Earnings per ordinary share

The Group presents basic and diluted 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 determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer ("CEO") 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.

(r) 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

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

(s) Fair value measurement

From 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that 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.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

NOTES to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold	Buildings	Plant	Office	Motor	Renovations	Capital	Total
		land		and	equipment,	vehicles		work-in-	
		RM'000	RM'000	machineries	furniture	RM'000	RM'000	progress	RM'000
				RM'000	and fittings			RM'000	RM'000
Cost									
At 1 January 2012		12,897	53,647	66,119	2,778	1,154	338	280	137,213
Additions		-	186	7,379	2,217	-	158	414	10,354
Reclassifications		-	-	419	-	-	-	(419)	-
Disposals		-	-	(21)	-	(687)	-	-	(708)
At 31 December 2012/ 1 January 2013		12,897	53,833	73,896	4,995	467	496	275	146,859
Additions		-	420	7,139	133	103	233	834	8,862
Disposals		-	(5)	-	(138)	-	-	(27)	(170)
Transfer to investment property	4	-	-	-	-	-	-	(20)	(20)
Transfer to intangible asset	5	-	-	-	-	-	-	(1,062)	(1,062)
At 31 December 2013		12,897	54,248	81,035	4,990	570	729	-	154,469
Depreciation									
At 1 January 2012		-	712	37,290	2,325	624	285	-	41,236
Depreciation for the year		-	1,079	5,580	236	71	8	-	6,974
Disposals		-	-	(1)	-	(290)	-	-	(291)
At 31 December 2012/ 1 January 2013		-	1,791	42,869	2,561	405	293	-	47,919
Depreciation for the year		-	1,088	6,276	343	46	32	-	7,785
Disposals		-	-	-	(137)	-	-	-	(137)
At 31 December 2013		-	2,879	49,145	2,767	451	325	-	55,567
Carrying amounts									
At 1 January 2012		12,897	52,935	28,829	453	530	53	280	95,977
At 31 December 2012/ 1 January 2013		12,897	52,042	31,027	2,434	62	203	275	98,940
At 31 December 2013		12,897	51,369	31,890	2,223	119	404	-	98,902

NOTES to the Financial Statements

4. INVESTMENT PROPERTY

	Group	
	2013 RM'000	2012 RM'000
At 1 January	6,470	5,720
Transfer from property, plant and equipment (Note 3)	20	-
Costs associated to conversion of land to industrial status	1,128	-
Change in fair value recognised in profit or loss	3,882	750
At 31 December	11,500	6,470
Included in the above is:		
At fair value		
Freehold land	11,500	6,470

4.1 Fair value information

Fair value of investment property is categorised as follows:

2013	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Land	-	-	11,500	11,500

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

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 investment property, either directly or indirectly.

Level 2 fair values of freehold land has 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.

NOTES to the Financial Statements

4. INVESTMENT PROPERTY (CONTINUED)

4.1 Fair value information (continued)

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

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.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method of valuation which entails comparing the property with similar properties that were sold recently and those that are currently offered for sale in the vicinity.	Recent transactions of similar properties at or near reporting period 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 period with similar land usage, land size and location were higher (lower).

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 is currently a freehold light industrial land. The highest and best use of the property should be an industrial land located nearby the Group's investment property.

NOTES to the Financial Statements

5. INTANGIBLE ASSET

Group	Development costs RM'000
At 1 January 2012/31 December 2012/1 January 2013	-
Transfer from property, plant and equipment (Note 3)	1,062
At 31 December 2013	1,062

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 Group is of the opinion that the marketing rights have indefinite useful lives. 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.

6. INVESTMENT IN A SUBSIDIARY

	Company	
	2013 RM'000	2012 RM'000
Unquoted share, at cost	40,187	40,187

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2013 %	2012 %
Duopharma (M) Sendirian Berhad	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	100	100

NOTES to the Financial Statements**7. TRADE AND OTHER RECEIVABLES**

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current					
Non-trade					
Amount due from a subsidiary	7.1	–	–	62,749	54,523
Current					
Trade					
Trade receivables		33,264	32,460	–	–
Amount due from related companies	7.2	425	1,619	–	–
		33,689	34,079	–	–
Non-trade					
Amount due from a subsidiary	7.3	–	–	2,000	5,372
Other receivables, deposits and prepayments	7.4	5,289	3,019	–	–
		5,289	3,019	2,000	5,372
		38,978	37,098	2,000	5,372

7.1 The non-trade amount due from a subsidiary is unsecured, subject to interest at 5.1% (2012: 4.0%) per annum. The non-current amount is not repayable over the next 12 months.

7.2 The trade amount due from related companies is subject to the normal trade terms.

7.3 The non-trade amount due from a subsidiary is unsecured, interest free and repayable on demand.

7.4 Included in other receivables, deposits and prepayments is deposits for new plant and machineries amounting to RM3,843,232 (2012: RM2,770,348).

NOTES to the Financial Statements

8. INVENTORIES

	Group	
	2013 RM'000	2012 RM'000
Raw materials and consumables	13,276	12,740
Work-in-progress	2,462	1,557
Packing materials	6,731	6,390
Finished goods	13,862	20,696
	36,331	41,383
Recognised in profit or loss:		
Inventories recognised as cost of sales	95,509	72,230

In 2013, inventories amounting to RM7,802,000 (2012: RM4,327,000) were written off. The write-off is included in cost of sales.

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits placed with licensed banks	6,169	4,793	–	–
Cash and bank balances	12,710	9,346	467	663
	18,879	14,139	467	663

10. CAPITAL AND RESERVES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Share capital	69,739	69,739	69,739	69,739
Non-distributable reserves				
Share premium	13,720	13,720	13,720	13,720
Treasury shares	(1,578)	(1,578)	(1,578)	(1,578)
	12,142	12,142	12,142	12,142
Retained earnings (distributable)	100,768	88,622	22,458	18,013
	182,649	170,503	104,339	99,894

NOTES to the Financial Statements**10. CAPITAL AND RESERVES (CONTINUED)****10.1 Share capital**

	<----- Group and Company ----->			
	Amount	Number of shares	Amount	Number of shares
	2013 RM'000	2013 '000	2012 RM'000	2012 '000
Ordinary shares of RM0.50 each				
Authorised	100,000	200,000	100,000	200,000
Issued and fully paid	69,739	139,479	69,739	139,479

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 and rank equally with regards to the Company's residual assets. In respect of the Company's treasury shares that are held by the Company (see below), all rights are suspended until those shares are reissued.

10.2 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.

There was no purchase of its issued share capital in the current financial year. The number of outstanding shares as at 31 December 2013 after deducting treasury shares held is 138,821,000 (2012: 138,821,000).

NOTES to the Financial Statements

11. DEFERRED TAX LIABILITIES

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Property, plant and equipment	-	-	(7,261)	(6,269)	(7,261)	(6,269)
Receivables	71	97	-	-	71	97
Other items	2,741	513	-	-	2,741	513
Tax assets/(liabilities)	2,812	610	(7,261)	(6,269)	(4,449)	(5,659)
Set off of tax	(2,812)	(610)	2,812	610	-	-
Net tax assets/(liabilities)	-	-	(4,449)	(5,659)	(4,449)	(5,659)

Movement in temporary differences during the year

Group	At 1.1.2012 RM'000	Recognised in profit or loss RM'000 (Note 19)	At 31.12.2012 RM'000	Recognised in profit or loss RM'000 (Note 19)	At 31.12.2013 RM'000
Property, plant and equipment	6,473	(204)	6,269	992	7,261
Receivables	(185)	88	(97)	26	(71)
Other items	(704)	191	(513)	(2,228)	(2,741)
Total	5,584	75	5,659	(1,210)	4,449

12. LOAN AND BORROWING

	Group	
	2013 RM'000	2012 RM'000
Current		
Unsecured revolving loan	-	5,000

On 12 June 2013, the subsidiary entered into Revolving Credit Facility Agreement of RM10 million with Hong Leong Bank Berhad ("HLBB") to accommodate for working capital requirements.

Interest rates of the subsidiary's borrowings depend on the lender's effective cost of funds plus 0.35% p.a..

NOTES to the Financial Statements**13. TRADE AND OTHER PAYABLES**

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade					
Trade payables		6,837	2,361	–	–
Amount due to related companies	13.1	31	–	–	–
		6,868	2,361	–	–
Non-trade					
Amount due to intermediate holding company	13.2	632	4,536	622	423
Amount due to related companies	13.2	44	470	–	–
Other payables		2,518	2,064	–	–
Accrued expenses		6,687	7,050	429	526
Provision		410	341	–	–
		10,291	14,461	1,051	949
		17,159	16,822	1,051	949

13.1 The trade amount due to related companies is subject to normal trade terms.

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sale of goods	162,405	135,310	–	–
Dividend income from an unquoted subsidiary in Malaysia	–	–	23,205	19,822
	162,405	135,310	23,205	19,822

NOTES to the Financial Statements

15. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Operating profit is arrived at after charging:				
Auditors' remuneration:				
– Audit fees	78	73	20	18
– Non-audit fees	14	14	14	14
Depreciation on property, plant and equipment	7,785	6,974	–	–
Impairment loss:				
– Trade receivables	1,113	37	–	–
Intermediate holding company management fees	6,089	5,649	–	–
Inventories written off	4,704	1,891	–	–
Loss on disposal of property, plant and equipment	1	65	–	–
Net realised foreign exchange loss	43	435	–	–
Net unrealised foreign exchange loss	–	11	–	–
Personnel expenses (including key management personnel):				
– Contributions to state plans	2,198	2,133	–	–
– Wages, salaries and others	22,177	21,297	–	–
Rental expenses of premises	80	90	–	–
Research and development costs expensed as incurred	3,035	1,760	–	–
and after crediting:				
Dividend income from				
– A subsidiary in Malaysia (unquoted)	–	–	23,205	19,822
Gain on disposal of assets held for sales	–	601	–	–
Gain on revaluation of investment property	3,882	750	–	–
Net unrealised foreign exchange gain	224	–	–	–

16. FINANCE INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income of financial assets that are not at fair value through profit or loss:				
– recognised before impairment	295	101	2,542	2,321

NOTES to the Financial Statements**17. FINANCE COSTS**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss: – loan and borrowing	307	401	1	–

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors				
– Fees	242	242	242	242
Other key management personnel				
– Remuneration	2,019	1,705	–	–
Total short-term employee benefits	2,261	1,947	242	242

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 25.

NOTES to the Financial Statements

19. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax expense	7,900	9,284	629	554
Major components of income tax expense include:				
Current tax expense				
Malaysian – current year	9,345	8,388	629	554
– (over)/under provision	(235)	821	–	–
Total current tax recognised in profit or loss	9,110	9,209	629	554
Deferred tax (benefit)/expense				
Origination and reversal of temporary differences	(574)	95	–	–
Over provision in prior year	(636)	(20)	–	–
Total deferred tax recognised in profit or loss	(1,210)	75	–	–
Total income tax expense	7,900	9,284	629	554
Reconciliation of tax expense				
Profit for the year	32,275	26,014	24,574	20,924
Total income tax expense	7,900	9,284	629	554
Profit excluding tax	40,175	35,298	25,203	21,478
Income tax calculated using Malaysian tax rate of 25% (2012: 25%)	10,044	8,825	6,301	5,370
Non-deductible expenses	503	316	129	140
Tax exempt income	–	–	(5,801)	(4,956)
Tax incentives	(759)	(440)	–	–
Other items	(926)	(81)	–	–
Non-taxable income	(91)	(137)	–	–
(Over)/Under provided in prior years	(871)	801	–	–
	7,900	9,284	629	554

NOTES to the Financial Statements**20. EARNINGS PER ORDINARY SHARE****Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2013 RM'000	2012 RM'000
Profit for the year attributable to ordinary shareholders	32,275	26,014

Weighted average number of ordinary shares

	Group	
	2013 '000	2012 '000
Issued ordinary shares at 1 January	139,479	139,479
Effect of treasury shares held	(658)	(658)
Weighted average number of ordinary shares at 31 December	138,821	138,821

	Group	
	2013 sen	2012 sen
Basic earnings per ordinary share	23.25	18.74

Diluted earnings per ordinary share

There is no dilution to the earnings per ordinary share as there are no dilutive potential ordinary shares, hence, the diluted earnings per share is the same of basic earnings per share.

NOTES to the Financial Statements

21. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2013			
Final 2012 ordinary (single-tier)	10.50	14,576	12 July 2013
Interim 2013 ordinary (single-tier)	4.00	5,553	8 November 2013
Total amount		20,129	
2012			
Final 2011 ordinary (single-tier)	10.87	15,097	29 June 2012
Interim 2012 ordinary (single-tier)	3.50	4,859	9 November 2012
Total amount		19,956	

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 2013 ordinary (single-tier)	13.50	18,741

NOTES to the Financial Statements**22. FINANCIAL INSTRUMENTS****22.1 Categories of financial instruments**

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

- (a) Loans and receivables ("L&R"); and
 (b) Financial liabilities measured at amortised cost ("FL").

	Carrying amount	L&R/ (FL)	Carrying amount	L&R/ (FL)
	2013 RM'000	2013 RM'000	2012 RM'000	2012 RM'000
Financial assets				
Group				
Trade and other receivables	34,533	34,533	37,098	37,098
Cash and cash equivalents	18,879	18,879	14,139	14,139
	53,412	53,412	51,237	51,237
Company				
Trade and other receivables	64,749	64,749	59,895	59,895
Cash and cash equivalents	467	467	663	663
	65,216	65,216	60,558	60,558
Financial liabilities				
Group				
Loan and borrowing	–	–	(5,000)	(5,000)
Trade and other payables	(16,749)	(16,747)	(16,481)	(16,481)
	(16,749)	(16,747)	(21,481)	(21,481)
Company				
Trade and other payables	(1,051)	(1,051)	(949)	(949)

22. FINANCIAL INSTRUMENTS (CONTINUED)**22.2 Net gains and losses arising from financial instruments**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net gains/(losses) arising on:				
Loans and receivables	295	101	2,542	2,321
Financial liabilities measured at amortised cost	(126)	(848)	(1)	-
	169	(747)	2,541	2,321

22.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counter party 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.

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 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 Group has a lower exposure to international credit risk as most of its receivables are concentrated in Malaysia.

NOTES to the Financial Statements**22. FINANCIAL INSTRUMENTS (CONTINUED)****22.4 Credit risk (continued)****Receivables (continued)***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
2013				
Not past due	31,035	–	–	31,035
Past due 0-30 days	2,039	(223)	–	1,816
Past due 31-120 days	1,120	(707)	–	413
Past due more than 120 days	408	(123)	(285)	–
	34,602	(1,053)	(285)	33,264
2012				
Not past due	28,733	–	–	28,733
Past due 0-30 days	3,138	–	–	3,138
Past due 31-120 days	589	–	–	589
Past due more than 120 days	274	–	(274)	–
	32,734	–	(274)	32,460

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

	Group	
	2013 RM'000	2012 RM'000
At 1 January	274	351
Impairment loss recognised	1,250	37
Impairment loss written off	(49)	(114)
Impairment loss recovered	(137)	–
At 31 December	1,338	274

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 trade receivable directly.

22. FINANCIAL INSTRUMENTS (CONTINUED)**22.4 Credit risk (continued)****Receivables (continued)***Impairment losses (continued)*

At 31 December 2013, there is a significant individual impairment loss of RM1,053,000 relating to a customer with dispute invoices during the financial year.

Investments and other financial assets*Risk management objectives, policies and processes for managing the risk*

Investments are only allowed in placing deposits with licensed banks.

Exposure to credit risk, credit quality and collateral

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

In view of that deposits are only placed with licensed banks, management does not expect the bank to fail to meet its obligation.

The deposits with licensed banks of the Group are unsecured.

Impairment losses

As at the end of the reporting period, there was no indication that the deposits with licensed banks 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.

NOTES to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.5 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 and the Company's exposure to liquidity risk arises principally from its various payables, loan and borrowing.

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/ coupon	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
Group							
2013							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	16,749	-	16,749	16,749	-	-	-
2012							
<i>Non-derivative financial liabilities</i>							
Unsecured revolving loan	5,000	3.80% p.a.	5,190	5,190	-	-	-
Trade and other payables	16,481	-	16,481	16,481	-	-	-
	21,481		21,671	21,671	-	-	-
Company							
2013							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	1,051	-	1,051	1,051	-	-	-
2012							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	949	-	949	949	-	-	-

NOTES to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk

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

22.6.1 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 Dollar (EURO) and Singapore Dollar (SGD).

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 currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	<i>Denominated in USD</i>	
	2013 RM'000	2012 RM'000
Group		
Trade receivables	1,273	1,798
Trade payables	(2,867)	(710)
Bank balance	18	242
Other payables	(281)	(1,126)
Net exposure in the statement of financial position	(1,857)	204
	<i>Denominated in EURO</i>	
	2013 RM'000	2012 RM'000
Trade receivables	474	-
Other payables	(3,170)	-
Net exposure in the statement of financial position	(2,696)	-

NOTES to the Financial Statements**22. FINANCIAL INSTRUMENTS (CONTINUED)****22.6 Market risk (continued)****22.6.1 Currency risk (continued)**

	<i>Denominated in SGD</i>	
	2013 RM'000	2012 RM'000
Trade payables	(346)	–
Net exposure in the statement of financial position	(346)	–

Currency risk sensitivity analysis

The exposure to currency risk is not material and hence, sensitivity analysis is not presented.

22.6.2 Interest rate risk

The Group's 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 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.

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fixed rate instruments				
Financial assets	6,619	4,793	–	–
Floating rate instruments				
Financial liabilities	–	(5,000)	–	–

22. FINANCIAL INSTRUMENTS (CONTINUED)**22.6 Market risk (continued)****22.6.2 Interest rate risk (continued)***Interest rate risk sensitivity analysis**(a) 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. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

Group	Equity		Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000
2013				
Floating rate instruments	-	-	-	-
2012				
Floating rate instruments	-	-	(19)	19

22.7 Fair value information

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

The carrying amount of unsecured non-revolving loan approximate fair values as they are subject to variable interest rates which in turn approximates the current market interest rates for similar facilities at the end of the reporting period.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

The fair value of other financial assets, together with the carrying amount shown in the statement of financial position, is as follows:

NOTES to the Financial Statements**22. FINANCIAL INSTRUMENTS (CONTINUED)****22.7 Fair value information (continued)**

	Carrying amount	Fair value	Carrying amount	Fair value
Company	2013 RM'000	2013 RM'000	2012 RM'000	2012 RM'000
Amount due from a subsidiary	64,749	64,749	59,895	59,895

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Interest rate used to determine fair value

The interest rate used to discount estimated cash flows is 5.1% (2012: 4.0%).

22.7.1 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.

23. 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.

The Group's strategy for capital management is to avoid unnecessary debts obligation and funding cost.

There were no changes in the Group's approach to capital management during the financial year.

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.

The Group is also required to maintain a maximum debt-to-equity ratio of nil (2012: 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.

NOTES to the Financial Statements

24. CAPITAL AND OTHER COMMITMENTS

	Group	
	2013 RM'000	2012 RM'000
Plant and equipment		
Authorised but not provided for	22,199	20,200
Contracted but not provided for	6,526	3,577

25. 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 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.

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	
	2013 RM'000	2012 RM'000
A. Intermediate holding company		
Management fees paid	(6,089)	(5,649)
B. Immediate holding company		
Dividends paid	(14,768)	(14,641)

NOTES to the Financial Statements**25. RELATED PARTIES (CONTINUED)****Significant related party transactions (continued)**

	Group	
	2013 RM'000	2012 RM'000
C. Related companies		
Sale of goods	13,962	13,197
Purchases of goods	(19,331)	(1,429)
Research and development costs paid to related company	(3,035)	(1,760)
	Company	
	2013 RM'000	2012 RM'000
A. Immediate holding company		
Dividends paid	(14,768)	(14,641)
B. Related companies		
Dividend income received from a subsidiary	23,205	19,822
Interest income received from a subsidiary	2,542	2,321

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 RM1,322,000 (2012: RM1,441,000).

26. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units target different markets, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

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 Group's CEO, as all assets within the Group, other than trade receivables, are attributed to the business activities in Malaysia.

NOTES to the Financial Statements

26. OPERATING SEGMENTS (CONTINUED)

Information about reportable segment and reconciliation of reportable segment revenue, profit or loss and other material items

	Group	
	2013 RM'000	2012 RM'000
Reportable revenue from external customers:		
Local	148,363	124,080
Export	14,042	11,230
	162,405	135,310
Operating expense:		
Depreciation of property, plant and equipment	(7,785)	(6,974)
Other operating expense	(118,401)	(94,094)
Other operating income	3,968	1,356
Profit from operations	40,187	35,598
Finance income	295	101
Finance cost	(307)	(401)
Profit before tax	40,175	34,298
Tax expense	(7,900)	(9,284)
Profit after tax	32,275	26,014
Reportable revenue from external trade receivables:		
Local	31,603	31,286
Export	1,661	1,174
	33,264	32,460

Major customers

Revenue from two major customers amount to approximately RM65,726,000 (2012: RM56,429,000) of the Group's total revenue.

NOTES to the Financial Statements**27. COMPARATIVE FIGURES**

The following comparatives have been restated in order to conform with current year presentation.

Group	2012	
	As restated RM'000	As previously stated RM'000
Statements of profit or loss and other comprehensive income		
Cost of sales	72,230	72,362
Distribution and marketing expenses	12,636	11,295
Administrative expenses	14,966	12,327
Other expenses	1,236	5,084
	101,068	101,068
Statements of cash flows		
Net realised foreign exchange loss	435	-
Net unrealised foreign exchange (gain)/loss	11	-
Trade and other payables	(699)	(253)
	(253)	(253)
Inventories		
Recognised in profit or loss:		
Inventories recognised as cost of sales	72,230	72,362
Results from operating activities		
Operating profit is arrived at after charging:		
Inventories written off	1,891	4,327
Net realised foreign exchange loss	435	261
Net unrealised foreign exchange (gain)/loss	11	-
Personnel expenses (including key management personnel):		
- Wages, salaries and others	21,297	17,490
Key management personnel		
Other key management personnel		
- Remuneration	1,705	1,443
Financial instruments		
Net gains/(losses) arising on:		
Financial liabilities measured at amortised cost	(126)	(307)

NOTES to the Financial Statements

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiary				
– realised	129,073	122,415	22,458	18,013
– unrealised	6,418	930	–	–
Less: Consolidation adjustments	135,491 (34,723)	123,345 (34,723)	22,458 –	18,013 –
Total retained earnings	100,768	88,622	22,458	18,013

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.