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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES**


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**MOORE STEPHENS**


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(Prepared for inclusion in the Abridged Prospectus)  
 The Board of Directors  
 CCM Duopharma Biotech Berhad  
 Lot 2599, Jalan Seruling 59,  
 Kawasan 3, Taman Klang Jaya,  
 41200 Klang,  
 Selangor.

**Moore Stephens Associates PLT**  
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 Chartered Accountants  
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Dear Sirs,

**CCM DUOPHARMA BIOTECH BERHAD (“CCM DUOPHARMA” OR THE “COMPANY”)  
 ACCOUNTANTS' REPORT**

**1.0 INTRODUCTION**

This report has been prepared by Moore Stephens Associates PLT, an approved company auditor, for inclusion in the Abridged Prospectus to Shareholders of CCM Duopharma in connection with the following:

Acquisition of Chemical Company of Malaysia Berhad's ("CCMB") pharmaceutical division from CCMB which consists of the following companies:-

- (a) Innovax Sdn. Bhd.
- (b) CCM Pharmaceuticals Sdn. Bhd. including its 5 subsidiaries, namely:
  - i. CCM Biopharma Sdn. Bhd.
  - ii. Sentosa Pharmacy Sdn. Bhd.
  - iii. Unique Pharmacy (Ipoh) Sdn. Bhd.
  - iv. Unique Pharmacy (Penang) Sdn. Bhd.
  - v. Negeri Pharmacy Sdn. Bhd.
- (c) Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.
- (d) CCM Pharma Sdn. Bhd.
- (e) CCM Pharmaceutical (S) Pte. Ltd.
- (f) CCM International (Philippines), Inc.

(collectively known as "Acquisition")

This Report is issued for the sole purpose of inclusion in the Abridged Prospectus to the Shareholders and should not be relied upon for any other purposes. Therefore, this Report is not appropriate in other jurisdictions and should not be used or relied upon for any other purpose other than the Acquisition as described above. We accept no duty or responsibility and deny any liability to any party in respect of any use of or reliance upon, this Report in connection with any type of transaction, including the sales of securities other than pursuant to the Acquisition.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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### 2.0 ABBREVIATIONS

Unless the context otherwise requires, the following definitions shall apply throughout this report:

Act	the Companies Act, 1965 as amended from time to time and any re-enactment thereof
CCMB	Chemical Company of Malaysia Berhad
CCM Biopharma	CCM Biopharma Sdn. Bhd.
CCM Duopharma	CCM Duopharma Biotech Berhad
CCM International	CCM International Sdn. Bhd.
CCM Investments	CCM Investments Ltd.
CCM Pharmaceuticals	CCM Pharmaceuticals Sdn. Bhd.
CCM Pharma	CCM Pharma Sdn. Bhd.
CCM Philippines	CCM International (Philippines), Inc.
CCM Singapore	CCM Pharmaceuticals (S) Pte. Ltd.
EPF	Employees Provident Fund
FPE	Financial period ended, as the case may be
FRS	Financial Reporting Standards
FYE 2012	Financial year ended 31 December 2012
FYE 2013	Financial year ended 31 December 2013
FYE 2014	Financial year ended 31 December 2014
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board
Innovax	Innovax Sdn. Bhd.
MASB	Malaysian Accounting Standards Board
MFRS	Malaysian Financial Reporting Standards
MS	Moore Stephens Associates PLT
NPSB	Negeri Pharmacy Sdn. Bhd.
PNB	Permodalan Nasional Berhad
SPSB	Sentosa Pharmacy Sdn. Bhd.
UP (IPOH)	Unique Pharmacy (Ipoh) Sdn. Bhd.
UP (PENANG)	Unique Pharmacy (Penang) Sdn. Bhd.
Upha Pharmaceutical	Upha Pharmaceuticals Manufacturing (M) Sdn. Bhd.
The Companies	Innovax, CCM Pharmaceuticals, CCM Biopharma, SPSB, UP (IPOH), UP (PENANG), NPSB, Upha Pharmaceutical, CCM Pharma, CCM Singapore and CCM Philippines, collectively
<b>Currencies</b>	
EURO	European Dollar
GBP	Great Britain Pound
HKD	Hong Kong Dollar
PHP	Philippines Peso
RM and sen	Ringgit Malaysia and sen, the lawful currency of Malaysia
THB	Thailand Baht
SGD	Singapore Dollar
USD	United States Dollar

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**3.0 ACQUISITION OF COMPANIES**

CCM Duopharma had entered into conditional share sale agreements, all dated 27 November 2014 with the respective vendors for the following acquisitions ("Acquisitions"):-

Companies	Vendor(s)	Equity interest acquired (%)	Number of ordinary shares to be acquired ('000)	Satisfied via	
				Purchase consideration RM'000	Settlement by CCM Duopharma of advances made by CCMB RM'000
Innovax	CCMB	100	200 <sup>(5)</sup>	1	399
CCM Pharmaceuticals <sup>(1)</sup>	CCMB	100	8,000 <sup>(5)</sup>	17,599	10,256
Upha Pharmaceutical	CCMB	100	30,000 <sup>(5)</sup>	78,365	84,779
CCM Pharma	CCMB	100	3,300 <sup>(5)</sup>	34,942	16,337
CCM Singapore	CCMB held through CCM International	100	1,600	2,417	27
CCM Philippines	CCMB held through CCM Investments	100 <sup>(2)</sup>	206 <sup>(3)</sup>	1	-( <sup>4</sup> )
<b>Total</b>				<b>133,325</b>	<b>111,798</b>

Notes:

- (1) Inclusive of all the subsidiaries of CCM Pharmaceuticals
- (2) Not inclusive of the new shares in CCM Philippines to be issued pursuant to the capitalisation of inter-company advances
- (3) Inclusive of the five (5) ordinary shares amounting to 0.002% of the issued paid-up capital which are held on trust by directors of CCM Philippines for the benefit of CCM Investments
- (4) Inter-company advances to be capitalised into new shares in CCM Philippines
- (5) Ordinary shares of RM1 each

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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### 4.0 CONTENT OF THIS REPORT

This report includes the following sections:

No.	Descriptions	Section of this report
(a)	General Information	5.0
(b)	Basis of preparation	6.0
(c)	Significant accounting policies	7.0
(d)	Historical financial information	8.0
	(i) Innovax	8.1
	(ii) CCM Pharmaceuticals	8.2
	(iii) CCM Biopharma	8.3
	(iv) SPSB	8.4
	(v) UP (IPOH)	8.5
	(vi) UP (PENANG)	8.6
	(vii) NPSB	8.7
	(viii) Upha Pharmaceutical	8.8
	(ix) CCM Pharma	8.9
	(x) CCM Singapore	8.10
	(xi) CCM Philippines	8.11

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**5.0 GENERAL INFORMATION****5.1 BACKGROUND****(a) INNOVAX**

Innovax was incorporated in Malaysia on 21 November 2001 under the Act as a private limited liability company under the name of Vizai Corporation Sdn Bhd. It subsequently changed to its present name on 19 July 2002. The principal activities of Innovax are research and development of pharmaceutical products.

The address of the registered office is 13<sup>th</sup> Floor, Menara PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur and the principal place of business is No.2, Jalan Saudagar U1/16, Seksyen U1, Pusat Perindustrian Hicom-Glenmarie, 40150 Shah Alam, Selangor.

The immediate and ultimate holding companies are CCMB, a public listed company and PNB, a public company, respectively. Both companies are incorporated in Malaysia.

There were no dividends paid/declared during the financial years under review.

**(b) CCM Pharmaceuticals**

CCM Pharmaceuticals was incorporated in Malaysia on 27 May 1976 under the Act as a private limited liability company under the name of Upha Corpn. (M) Sdn Bhd. It subsequently changed to its present name on 12 January 2006. The principal activities of CCM Pharmaceuticals are that of marketing and sales of medicine and pharmaceutical products. The principal products marketed and sold are in the forms of tablets, syrups, capsules and creams while the principal market for the products is in Malaysia.

The address of the registered office is 13<sup>th</sup> Floor, Menara PNB, 201-A Jalan Tun Razak, 50400 Kuala Lumpur and the principal place of business is Lot 2 & 4, Jalan P/7, Section 13, Bangi Industrial Estate, 43650 Bandar Baru Bangi, Selangor Darul Ehsan. CCM Pharmaceuticals is principally engaged in the marketing and sales of medicine and pharmaceutical products.

The immediate and ultimate holding companies are CCMB and PNB respectively.

CCM Pharmaceuticals declared and paid an interim ordinary dividend of RM1.40 per share less tax at 25% totalling RM8,400,000 on CCM Pharmaceuticals's issued capital of 8,000,000 ordinary shares of RM1.00 each in respect of the FYE 2013 on 30 September 2013.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**5.0 GENERAL INFORMATION (cont'd)****5.1 BACKGROUND (cont'd)****(c) CCM Biopharma**

CCM Biopharma was incorporated in Malaysia on 18 August 1982 under the Act as a private limited liability company under the name of Ho Han Medical Co. Sdn. Bhd. The address of the registered office is 13<sup>th</sup> Floor, Menara PNB, 201-A Jalan Tun Razak, 50400 Kuala Lumpur. CCM Biopharma is engaged in the trading and manufacturing of pharmaceutical products. CCM Biopharma ceased its operations since January 2002, and has since become dormant.

The immediate and intermediate holding companies are CCM Pharmaceuticals and CCMB respectively. The ultimate holding company is PNB.

There were no dividends paid/declared during the financial years under review.

**(d) SPSB**

SPSB was incorporated in Malaysia on 28 June 1986 under the Act as a private limited liability company. The address of the registered office is 13<sup>th</sup> Floor, Menara PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur and the principal place of business is 64, Jalan Permas 9/13, Bandar Baru Permas Jaya, 81750 Plentong Masai, Johor. During the FYE 2013, SPSB ceased its principal activity of sale of pharmaceutical products. SPSB currently acts as distributor of pharmaceutical products of its immediate holding company, CCM Pharmaceuticals.

The immediate and intermediate holding companies are CCM Pharmaceuticals and CCMB respectively. The ultimate holding company is PNB.

There were no dividends paid/declared during the financial years under review.

**(e) UP (IPOH)**

UP (IPOH) was incorporated in Malaysia on 3 October 1985 under the Act as a private limited liability company. The address of the registered office is 13<sup>th</sup> Floor, Menara PNB, No. 201-A, Jalan Tun Razak, 50400 Kuala Lumpur and the principal place of business is 81, Jalan Yang Kalsom, 30250 Ipoh, Perak Darul Ridzuan. UP (IPOH) is principally engaged in the trading of pharmaceutical products.

The immediate and intermediate holding companies are CCM Pharmaceuticals and CCMB respectively. The ultimate holding company is PNB.

There were no dividends paid/declared during the financial years under review.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS****5.0 GENERAL INFORMATION (cont'd)****5.1 BACKGROUND (cont'd)****(f) UP (PENANG)**

UP (PENANG) was incorporated in Malaysia on 15 January 1994 under the Act as a private limited liability company. The address of the registered office is 13<sup>th</sup> Floor, Menara PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur and the principal place of business is No. 7, Lorong Perda Timur 7, Bandar Perda, 14000 Bukit Mertajam, Seberang Perai Tengah. UP (PENANG) is principally engaged in the distribution of pharmaceutical products.

The immediate and intermediate holding companies are CCM Pharmaceuticals and CCMB respectively. The ultimate holding company is PNB.

There were no dividends paid/declared during the financial years under review.

**(g) NPSB**

NPSB was incorporated in Malaysia on 31 August 1981 under the Act as a private limited liability company. The address of the registered office is 13<sup>th</sup> Floor, Menara PNB, 201-A Jalan Tun Razak, 50400 Kuala Lumpur. Previously, NPSB was principally engaged in the trading of pharmaceutical products. NPSB sold off its retail outlet in September 2002 and has since become dormant.

The immediate and intermediate holding companies are CCM Pharmaceuticals and CCMB respectively. The ultimate holding company is PNB.

There were no dividends paid/declared during the financial years under review.

**(h) Upha Pharmaceutical**

Upha Pharmaceutical was incorporated in Malaysia on 28 December 1979 under the Act as a private limited liability company. The principal activities of Upha Pharmaceutical are that of contract manufacturing of pharmaceutical products and sale of medicine.

The address of the registered office is 13<sup>th</sup> Floor, Menara PNB, 201-A Jalan Tun Razak, 50400 Kuala Lumpur and the principal place of business is Lot 2 & 4, Jalan P/7, Section 13, Bangi Industrial Estate, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.

The immediate and ultimate holding companies are CCMB and PNB respectively.

Upha Pharmaceutical declared and paid a final ordinary dividend of 14.30 sen per share less tax at 25% totalling RM1,608,750 on Upha Pharmaceutical's issued capital of 15,000,000 ordinary shares of RM1.00 each in respect of the FYE 2012 on 13 June 2013.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**5.0 GENERAL INFORMATION (cont'd)****5.1 BACKGROUND (cont'd)****(h) CCM Pharma**

CCM Pharma was incorporated in Malaysia on 17 May 1962 under the Company Ordinances, 1940 to 1946 as a private limited company under the name of Warner-Lambert (Manufacturing) Limited. It subsequently assumed its present name on 27 October 1995. Previously, CCM Pharma was principally engaged in the manufacture and sale of pharmaceutical and consumer products. However, CCM Pharma has ceased operation since 2008 and is now engaged in property management and services.

The address of the registered office and principal place of business is 13<sup>th</sup> Floor, Menara PNB, 201-A Jalan Tun Razak, 50400 Kuala Lumpur.

The immediate and ultimate holding companies are CCMB and PNB respectively.

There were no dividends paid/declared during the financial years under review.

**(i) CCM Singapore**

CCM Singapore was incorporated in Singapore on 16 June 1982 under the Companies Act, Cap. 185 as a private limited company under the name of Largreen (Singapore) Pte Ltd. On 22 March 1985, it changed its name to Duopharma Trading (S) Pte Ltd and subsequently changed to its present name on 23 August 2006. The principal activities of CCM Singapore are wholesalers of medicinal and pharmaceutical products as well as wholesaler of chemicals and chemical products.

The address of the registered office is 13A Teo Hong Road, Singapore 088327 and the principal place of business is 25 International Business Park, #02-60 German Centre, Singapore 609916.

The immediate holding company is CCM International, the intermediate holding company is CCMB and the ultimate holding company is PNB.

There were no dividends paid/declared during the financial years under review.



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS****5.0 GENERAL INFORMATION (cont'd)****5.1 BACKGROUND (cont'd)****(j) CCM Philippines**

CCM Philippines was incorporated in the Republic of Philippines and registered with the Securities and Exchange Commission on 21 December 2007. The principal activities of CCM Philippines are distribution, importing and exporting of pharmaceuticals and chemicals products.

The address of the registered office is Suite 2108, 88 Corporate Center, 1441 Valero Cor. Sedeno Sts., Salcedo Village, 1227 Makati City, Philippines and the principal place of business is Unit 2802, Atlanta Centre, No 31 Annapolis St. Greenhills, San Juan 1502, Philippines.

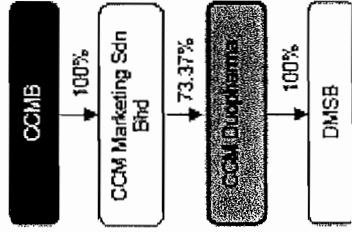
CCM Philippines is a wholly owned subsidiary of CCM Investments of British Virgin Islands, whose ultimate parent company is CCMB.

There were no dividends paid/declared during the financial years under review.

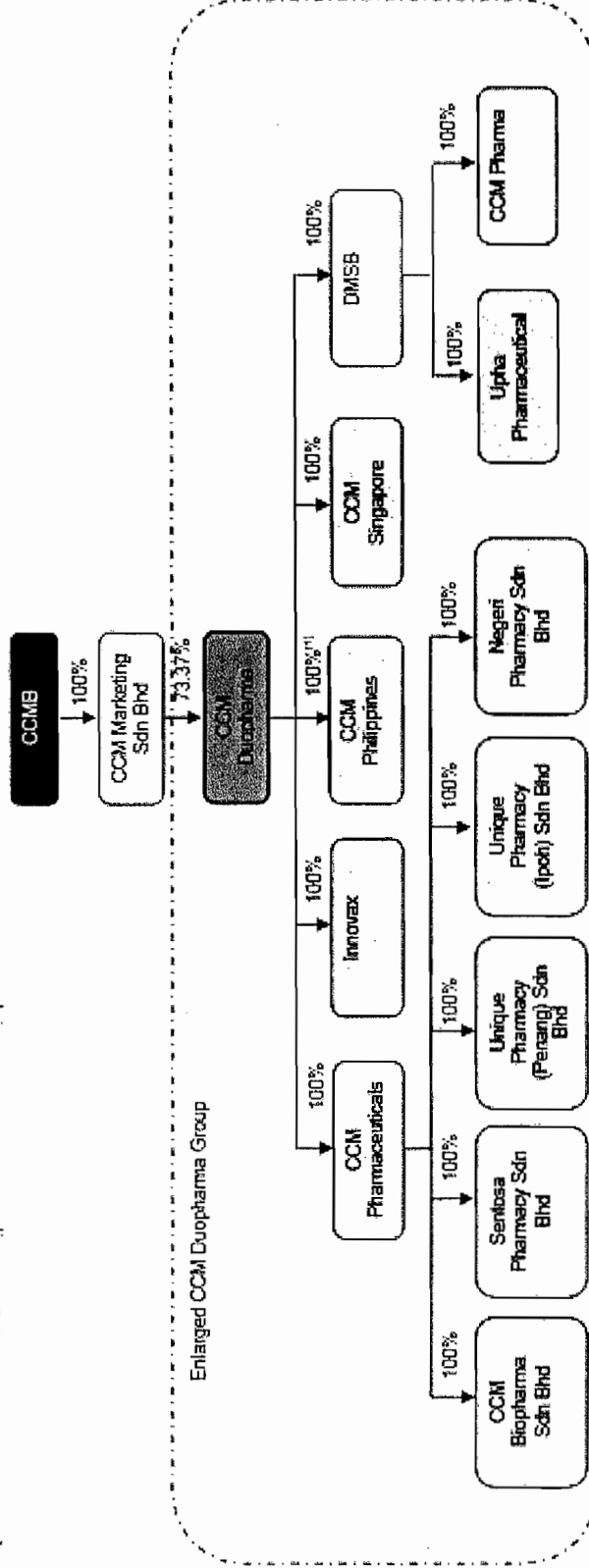
ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

The corporate structure of CCM Duopharma before the Acquisition is set out below:



The corporate structure of CCM Duopharma after the Acquisition is set out below:



Note:

(1) Inclusive of the remaining five (5) ordinary shares which are held on trust by directors of CCM Philippines for the benefit of CCM Duopharma.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**5.0 GENERAL INFORMATION (cont'd)**
**5.3 DETAILS OF THE TARGET COMPANIES**

<b>Companies</b>	<b>Date/Country of Incorporation</b>	<b>Issued and Paid-up Share Capital</b>	<b>Principal Activities</b>
Innovax	21 November 2001 Malaysia	RM200,000	Research and development of pharmaceutical products
CCM Pharmaceuticals	27 May 1976 Malaysia	RM8,000,000	Marketing and sales of medicine & pharmaceutical products
CCM Biopharma <sup>(2)</sup>	18 August 1982 Malaysia	RM210,000	Dormant
SPSB <sup>(2)</sup>	24 April 1981 Malaysia	RM235,002	Distribution of pharmaceutical products
UP (IPOH) <sup>(2)</sup>	3 October 1985 Malaysia	RM300,000	Trading of pharmaceutical products
UP (PENANG) <sup>(2)</sup>	15 January 1994 Malaysia	RM250,000	Distribution of pharmaceutical products
NPSB <sup>(2)</sup>	31 December 1981 Malaysia	RM91,500	Dormant
Upha Pharmaceutical	28 December 1979 Malaysia	RM30,000,000	Manufacturing of pharmaceutical products and sale of medicine
CCM Pharma	17 May 1962 Malaysia	RM3,300,000	Property management and services
CCM Singapore	16 June 1982 Singapore	SGD1,600,000	Wholesalers of medicinal and pharmaceutical products as well as wholesaler of chemicals and chemical products
CCM Philippines	21 December 2007 Republic of Philippines	PHP20,586,300 <sup>(1)</sup>	Distribution, importing and exporting of pharmaceuticals and chemicals products

**Notes:**

(1) *Inclusive of the five (5) ordinary shares amounting to 0.002% of the issued paid-up capital which are held on trust by directors of CCM Philippines*

(2) *Wholly-owned subsidiaries of CCM Pharmaceutical*

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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### 5.4 AUDITORS AND AUDITED FINANCIAL STATEMENTS

The auditors of the respective companies for the relevant financial years under review are as follows:-

<b>Company</b>	<b>FYE</b>	<b>Auditors</b>
Innovax	FYE 2012 to 2014*	KPMG
CCM Pharmaceuticals	FYE 2012 to 2014	KPMG
CCM Biopharma	FYE 2012 to 2014	KPMG
SPSB	FYE 2012 to 2014	KPMG
UP (IPOH)	FYE 2012 to 2014	KPMG
UP (PENANG)	FYE 2012 to 2014	KPMG
NPSB	FYE 2012 to 2014*	KPMG
Upha Pharmaceutical	FYE 2012 to 2014	KPMG
CCM Pharma	FYE 2012 to 2014	KPMG
CCM Singapore	FYE 2012 to 2014	Audit Alliance LLP
CCM Philippines	FYE 2014* FYE 2013* FYE 2012*	Crowe Horwarth Crowe Horwarth Arsenia C. Garcia, CPA

The audited financial statements of the above companies for the financial years under review were reported by respective auditors without any modifications.

- \* The independent auditors' reports included 'Emphasis of Matter' paragraphs that do not amount to any modification of their audit opinion.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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### 6.0 BASIS OF PREPARATION

#### 6.1 STATEMENT OF COMPLIANCE

The financial statements of the Companies for FYE 2012, FYE 2013 and FYE 2014 have been prepared in accordance with the MFRS issued by the MASB except for CCM Singapore and CCM Philippines which are prepared in accordance with International Financial Reporting Standards ("IFRSs").

#### **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int**

##### **(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs and IC Int**

The Companies had adopted the following new MFRSs, amendments/improvements to MFRSs and IC Int that are mandatory as follows:

<u>New MFRSs</u>		<b>Effective for financial periods beginning on or after</b>
MFRS 1	First-time Adoption of Financial Reporting Standards	1 January 2012
MFRS 2	Share-based Payment*	1 January 2012
MFRS 3	Business Combination*	1 January 2012
MFRS 4	Insurance Contracts	1 January 2012
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations*	1 January 2012
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2012
MFRS 7	Financial Instruments: Disclosures	1 January 2012
MFRS 8	Operating Segments	1 January 2012
MFRS 10	Consolidated Financial Statements *	1 January 2013
MFRS 11	Joint Arrangements *	1 January 2013
MFRS 12	Disclosure of Interest in Other Entities *	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 101	Presentation of Financial Statements	1 January 2012
MFRS 102	Inventories	1 January 2012
MFRS 107	Statement of Cash Flows	1 January 2012
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2012
MFRS 110	Events after the Reporting Period	1 January 2012
MFRS 111	Constructions Contracts*	1 January 2012
MFRS 112	Income Taxes	1 January 2012
MFRS 116	Property, Plant and Equipment	1 January 2012
MFRS 117	Leases	1 January 2012
MFRS 118	Revenue	1 January 2012
MFRS 119	Employee Benefits	1 January 2012

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**6.0 BASIS OF PREPARATION (cont'd)****6.1 STATEMENT OF COMPLIANCE (cont'd)****(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs and IC Int (cont'd)**

		<b>Effective for financial periods beginning on or after</b>
<u>New MFRSs (cont'd)</u>		
MFRS 120	Accounting for Government Grants and Disclosures of Government Assistance	1 January 2012
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2012
MFRS 123	Borrowing Costs*	1 January 2012
MFRS 124	Related Party Disclosures	1 January 2012
MFRS 126	Accounting and Reporting by Retirement Benefit Plans	1 January 2012
MFRS 128	Investments in Associates*	1 January 2012
MFRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2012
MFRS 131	Interests in Joint Ventures*	1 January 2012
MFRS 132	Financial Instruments: Presentation	1 January 2012
MFRS 133	Earnings Per Share*	1 January 2012
MFRS 134	Interim Financial Reporting	1 January 2012
MFRS 136	Impairment of Assets	1 January 2012
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2012
MFRS 138	Intangible Assets	1 January 2012
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2012
MFRS 140	Investment Property	1 January 2012
MFRS 141	Agriculture*	1 January 2012
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Financial Reporting Standards	1 January 2013
MFRS 7	Financial Instruments: Disclosures	1 January 2013
MFRS 10	Consolidated Financial Statements *	1 January 2013
MFRS 11	Joint Arrangements *	1 January 2013
MFRS 12	Disclosure of Interest in Other Entities *	1 January 2013
MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 101	Amendment to MFRS 101 (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 116	Property, Plant and Equipment	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements *	1 January 2013
MFRS 128	Investment in Associates and Joint Ventures *	1 January 2013
MFRS 132	Financial Instruments: Presentation	1 January 2013
MFRS 134	Interim Financial Reporting*	1 January 2013
<i>* Not applicable to the Companies</i>		
<u>IC Int</u>		
IC Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2012
IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments Liabilities	1 January 2012

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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**6.0 BASIS OF PREPARATION (cont'd)****6.1 STATEMENT OF COMPLIANCE (cont'd)****(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs and IC Int (cont'd)**

			<b>Effective for financial periods beginning on or after</b>
	<u>IC Int (cont'd)</u>		
IC Int 2	Amendment to IC 2 Int Liabilities		1 January 2013
IC Int 4	Determining whether an Arrangement contains a Lease		1 January 2012
IC Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds		1 January 2012
IC Int 6	Liabilities arising from Participating in a Specific Market- Waste Electrical and Electronic Equipment		1 January 2012
IC Int 7	Applying the Restatement Approach under MFRS 129 <i>Financial Reporting in Hyperinflationary Economies</i>		1 January 2012
IC Int 9	Reassessment of Embedded Derivatives		1 January 2012
IC Int 10	Interim Financial Reporting and Impairment		1 January 2012
IC Int 12	Service Concession Arrangement		1 January 2012
IC Int 13	Customer Loyalty Programmes		1 January 2012
IC Int 14	MFRS 119-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction		1 January 2012
IC Int 15	Agreements for the Construction of Real Estate		1 January 2012
IC Int 16	Hedges of a Net Investment in a Foreign Operation		1 January 2012
IC Int 17	Distribution of Non-cash Assets to Owners		1 January 2012
IC Int 18	Transfers of Assets to Customers		1 January 2012
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments		1 January 2012
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine		1 January 2012
IC Int 21	Levies		1 January 2012
IC Int 107	Introduction of Euro		1 January 2012
IC Int 110	Government Assistance- No Specific Relation to Operating Activities		1 January 2012
In Int 112	Consolidation – Special Purpose Entities		1 January 2012
In Int 113	Jointly Controlled Entities – Non-Monetary Contribution by Ventures		1 January 2012
In Int 115	Operating Leases – Incentives		1 January 2012
In Int 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders		1 January 2012
In Int 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease		1 January 2012
In Int 129	Service Concession Arrangements: Disclosures		1 January 2012
In Int 131	Revenue – Barter Transactions Involving Advertising Services		1 January 2012
IC Int 132	Intangible Assets – Web Site Costs		1 January 2012
	All the IC Int have no impacts to the Companies.		

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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### 6.0 BASIS OF PREPARATION (cont'd)

#### 6.1 STATEMENT OF COMPLIANCE

##### (i) Adoption of New MFRSs, Amendments/Improvements to MFRSs and IC Int (cont'd)

A brief discussion on the impact of the new MFRSs and amendment to MFRS is summarised below:

##### *MFRS 13 Fair Value Measurement*

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements for measuring fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is 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.

##### *Amendments to MFRS 101 Presentation of Financial Statements*

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Companies' financial position and performance.

The adoption of the other new MFRSs, amendments/improvements to MFRSs and IC Int did not have any significant effect on the financial statements of the Companies.

##### (ii) New MFRS, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted

The Companies have not adopted the following new MFRS and amendments/improvements to MFRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Companies:

<u>New MFRS</u>		<b>Effective for financial periods beginning on or after</b>
MFRS 9	Financial Instruments	1 January 2018
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**6.0 BASIS OF PREPARATION (cont'd)****6.1 STATEMENT OF COMPLIANCE (Cont'd)****(ii) New MFRS, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted (cont'd)**

		<b>Effective for financial periods beginning on or after</b>
	<u>Amendments/Improvements to MFRSs</u>	
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)	1 July 2014
MFRS 2	Share-based Payment (Annual Improvements 2010-2012 Cycle) *	1 July 2014
MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle) *	1 July 2014
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)	1 January 2016
MFRS 7	Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)	1 January 2016
MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle) *	1 July 2014
MFRS 10	Consolidated Financial Statements *	1 January 2016
MFRS 11	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 12	Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 13	Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)	1 July 2014
MFRS 116	Property, Plant and Equipment (Annual Improvements to MFRSs 2010-2012 cycle)	1 July 2014
MFRS 116	Property, Plant and Equipment (Clarification of Acceptable Methods Depreciation and Amortisation)	1 January 2016
MFRS 116	Property, Plant and Equipment (Agriculture: Bearer Plants)	1 January 2016
MFRS 119	Employee Benefits – Defined Benefit Plans: Employee Contributions	1 July 2014
MFRS 119	Employee Benefits (Annual Improvements 2012-2014 Cycle)	1 January 2016
MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)	1 July 2014
MFRS 127	Separate Financial Statements – Equity Method in Separate Financial Statements *	1 January 2016

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**6.0 BASIS OF PREPARATION (cont'd)****6.1 STATEMENT OF COMPLIANCE (Cont'd)****(ii) New MFRS, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted (cont'd)**

		<b>Effective for financial periods beginning on or after</b>
<u>Amendments/Improvements to MFRSs</u>		
MFRS 138	Intangible Assets (Annual Improvements 2010-2012 cycle)	1 July 2014
MFRS 138	Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
MFRS 140	Investment Property (Annual Improvements 2011-2013 Cycle)	1 July 2014
MFRS 141	Agriculture	1 January 2016

*\* Not applicable to the Companies*

A brief discussion on the impact of the new MFRS and Amendments/Improvements to MFRS are summarised below:

***MFRS 9 Financial Instruments***

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

The standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

***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, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****6.0 BASIS OF PREPARATION (cont'd)****6.1 STATEMENT OF COMPLIANCE (Cont'd)**

- (ii) **New MFRS, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted (cont'd)**

***MFRS 116 Property, Plant and Equipment***

The amendment to MFRS 116 requires the proportionate restatement of accumulated depreciation when revaluation method is used.

***MFRS 124 Related Party Disclosures***

The amendment to MFRS 124 has expanded the definition of key management personnel to include an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity. Consequently, the amounts incurred by the reporting entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.

***MFRS 138 Intangible Assets***

The amendment to MFRS 138 requires the proportionate restatement of accumulated amortisation when revaluation method is used.

The adoption of the other amendments/improvements to MFRSs and IC Int is not expected to have any significant effect on the financial statements of the Companies.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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### 6.0 BASIS OF PREPARATION (cont'd)

### 6.2 BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

### 6.3 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Ringgit Malaysia ("RM"), which are also the Companies' functional currency other than CCM Singapore and CCM Philippines. The functional currencies of CCM Singapore and CCM Philippines are SGD and PHP, respectively. The financial information and financial statements are translated into RM for presentation purposes only. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

The exchange rates used are as follows:

	<b>SGD 1.00</b>	
	<b>Closing rate</b>	<b>Average rate</b>
FYE 2012	RM2.5030	RM2.4729
FYE 2013	RM2.5487	RM2.5943
FYE 2014	RM2.6471	RM2.6207

	<b>PHP 100</b>	
	<b>Closing rate</b>	<b>Average rate</b>
FYE 2012	RM7.44	RM7.35
FYE 2013	RM7.39	RM7.42
FYE 2014	RM7.80	RM7.60

(Source: Bank Negara Malaysia)

### 6.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The summary of accounting policies as described in Note 7.0 are essential to understand the Companies' results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The Directors exercise their judgement in the process of applying the Companies' accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Companies' accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS****6.0 BASIS OF PREPARATION (cont'd)****6.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)**

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

**Useful lives of property, plant and equipment**

Management estimates the useful lives of the property, plant and equipment to be within 4 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. At financial year end, management assesses that the useful lives represent the expected utilisation of the assets to the companies. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, resulting in the adjustment to the companies' assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

**Income taxes**

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expense in determining the Companies wide provision for income taxes. The Companies recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the financial year in which such determination is made.

**Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**Impairment of loans and receivables**

The Companies assess at the end of the reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Companies consider factors such as the probability of significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****7.0 SIGNIFICANT ACCOUNTING POLICIES**

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

**7.1 FOREIGN CURRENCY****(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Companies 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 the 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.

**(ii) Foreign operations**

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the financial statements are translated into RM as follows:

- (i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- (ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

**7.2 FINANCIAL INSTRUMENTS**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Companies become parties 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 categorized 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.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS**

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**7.0 SIGNIFICANT ACCOUNTING POLICIES (cont'd)****7.2 FINANCIAL INSTRUMENTS (cont'd)****(i) Financial instrument categories and subsequent measurement**

The Companies categorise financial instruments as follows:

***Financial assets*****(a) 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 or 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.

**(b) 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, except for those measured at fair value through profit or loss, are subject to review for impairment.

***Financial Liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

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

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****7.0 SIGNIFICANT ACCOUNTING POLICIES (cont'd)****7.2 FINANCIAL INSTRUMENTS (cont'd)****(ii) 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 the financial asset, the difference between the carrying amount of the consideration paid, including any non-cash assets transferred or liabilities assumed, 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.

**7.3 PROPERTY, PLANT AND EQUIPMENT****(i) Recognition and measurement**

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use and cost of replacing component parts of the assets. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the property, plant and equipment and are recognised in profit or loss.

**(ii) Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Companies and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.



ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

**7.0 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**7.3 PROPERTY, PLANT AND EQUIPMENT (cont'd)**

**(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 straight line basis to write off the cost of each property, plant and equipment to its residual value over its estimated useful life.

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

Long term leasehold land	99 years
Buildings and improvements	50 years
Plant, machinery and equipment	5-20 years
Furniture and fittings	10 years
Motor vehicles	4-10 years

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. These are adjusted prospectively, if appropriate.

Fully depreciated property, plant and equipment are retained in the statement of financial position until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

**7.4 LEASED ASSETS**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Operating lease

Leases, where the Companies do not assume substantially all the risks and rewards of 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 unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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 a finance lease is classified as a property, plant and equipment.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS****7.0 SIGNIFICANT ACCOUNTING POLICIES (cont'd)****7.5 INVESTMENT PROPERTIES****(i) Investment properties 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 production or supply of goods and services or for administrative purposes.

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.

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, and difference arising at the date of transfer between 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 in other comprehensive income and accumulated in equity as revaluation reserve. 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 deemed cost for subsequent accounting.

**(iii) Determination of fair value**

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Companies' investment property, portfolio yearly.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

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

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****7.0 SIGNIFICANT ACCOUNTING POLICIES (cont'd)****7.6 INVESTMENT IN SUBSIDIARIES**

Subsidiaries are entities, including unincorporated entities, controlled by the Companies. Control exists when the Companies have the ability to exercise the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiaries are measured in the Companies' statement of financial position at cost less any impairment losses. The cost of investments includes transaction costs.

Upon the disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

**7.7 INVENTORIES**

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

The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition.

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.

**7.8 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash at bank and on hand, and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

**7.9 IMPAIRMENT OF ASSETS****(i) Non-financial assets**

The carrying amounts of non-financial assets (other than inventories) 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 goodwill and intangible assets with indefinite useful lives, they are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. An impairment loss is recognised immediately in profit or loss. A cash-generating unit is the smallest identifiable asset of the Companies that generate cash flows that largely are independent from other assets and groups.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS**

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**7.0 SIGNIFICANT ACCOUNTING POLICIES (cont'd)****7.9 IMPAIRMENT OF ASSETS (cont'd)****(i) Non-financial assets (cont'd)**

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

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior financial years. Such reversal is recognised in profit or loss.

**(ii) Financial assets**

All financial assets, other than those at fair value through profit or loss, are assessed at each reporting period 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.

*Financial assets carried at amortised cost*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Companies consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Companies' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****7.0 SIGNIFICANT ACCOUNTING POLICIES (cont'd)****7.9 IMPAIRMENT OF ASSETS (cont'd)****(ii) Financial assets (cont'd)***Financial assets carried at amortised cost (cont'd)*

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**7.10 SHARE CAPITAL**

An equity instrument is any contract that evidences a residual interest in the assets of the Companies after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity as appropriation of retained earnings and recognised as a liability in the period in which they are approved.

**7.11 REVENUE RECOGNITION****(i) Goods sold**

Revenue from sale of good is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods 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 recognized as a reduction of revenue as the sales are recognised.

**(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. Rental income from subleased property is recognised as other income.

**(iii) Interest income**

Interest income is recognised on an accrual basis using the effective interest method.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****7.0 SIGNIFICANT ACCOUNTING POLICIES (cont'd)****7.11 REVENUE RECOGNITION (cont'd)****(iv) Dividend income**

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

**7.12 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 Companies have a present legal constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(ii) Defined contribution plans**

As required by law, companies in Malaysia make contributions to EPF. Foreign companies make contributions to their respective countries statutory pension schemes. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Companies have no further payment obligations.

**(iii) Termination benefits**

Termination benefits are recognised as a liability and an expense when the Companies are committed to terminate the employment of current employees without possibility of withdrawal.

**7.13 INCOME TAX**

Income tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is 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 financial 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.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****7.0 SIGNIFICANT ACCOUNTING POLICIES (cont'd)****7.13 INCOME TAX (cont'd)**

Deferred tax is recognised using the liability method for all 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 temporary differences arising from the initial recognition of goodwill or the initial recognition of assets and liabilities in a transaction which is not a business combination and at the time of the transaction, 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.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties are measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts 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. 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 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.

**7.14 CONTINGENCIES**

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

**7.15 FAIR VALUE MEASUREMENTS**

From 1 January 2013, the Companies 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 a liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS****7.0 SIGNIFICANT ACCOUNTING POLICIES (cont'd)****7.15 FAIR VALUE MEASUREMENTS (cont'd)**

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 Companies 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 Companies' assets or liabilities other than the additional disclosures.

**7.16 PROVISIONS**

A provision is recognised if, as a result of a past event, the Companies have present legal or constructive obligations 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 time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

### 8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES

#### 8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX

##### 8.1.1 Audited Statements of Comprehensive Income of Innovax

The audited statements of comprehensive income of Innovax based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
Revenue	8.1.5.1	7,237,730	7,823,492	7,358,950
Cost of sales		<u>(3,223,921)</u>	<u>(2,709,001)</u>	<u>(2,822,447)</u>
Gross profit		4,013,809	5,114,491	4,536,503
Other income		1,690	38	1
Administrative expenses		<u>(2,530,554)</u>	<u>(4,590,405)</u>	<u>(4,288,941)</u>
Other expenses		<u>(1,135,763)</u>	<u>(9,926)</u>	<u>(6,435)</u>
		<u>(3,666,317)</u>	<u>(4,600,331)</u>	<u>(4,295,376)</u>
<b>Profit from operations</b>		349,182	514,198	241,128
Finance cost		<u>(298,331)</u>	<u>(345,562)</u>	<u>(2,056)</u>
<b>Profit before tax</b>	8.1.5.2	50,851	168,636	239,072
Tax credit/(expense)	8.1.5.3	<u>137,779</u>	<u>(71,071)</u>	<u>(98,365)</u>
<b>Profit for the financial year, representing total comprehensive income for the financial year</b>		<u>188,630</u>	<u>97,565</u>	<u>140,707</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

### 8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

#### 8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)

##### 8.1.2 Audited Statements of Financial Position of Innovax

The audited statements of financial position of Innovax based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
<b>ASSETS</b>				
<b>Non-current asset</b>				
Property, plant and equipment	8.1.5.4	5,296,676	4,749,621	3,891,096
<b>Current assets</b>				
Trade and other receivables	8.1.5.5	3,715,103	4,068,951	5,252,677
Cash and bank balances		148,236	328,321	483,834
		<u>3,863,339</u>	<u>4,397,272</u>	<u>5,736,511</u>
<b>Total assets</b>		<u><u>9,160,015</u></u>	<u><u>9,146,893</u></u>	<u><u>9,627,607</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	8.1.5.6	200,000	200,000	200,000
Accumulated losses		(1,467,507)	(1,369,942)	(1,229,235)
<b>Total equity</b>		<u>(1,267,507)</u>	<u>(1,169,942)</u>	<u>(1,029,235)</u>
<b>Liabilities</b>				
<b>Non-current liability</b>				
Deferred tax liabilities	8.1.5.7	277,527	348,598	224,224
<b>Current liabilities</b>				
Current tax liabilities		-	-	222,739
Trade and other payables	8.1.5.8	10,149,995	9,968,237	10,209,879
<b>Total liabilities</b>		<u>10,427,522</u>	<u>10,316,835</u>	<u>10,656,842</u>
<b>Total equity and liabilities</b>		<u><u>9,160,015</u></u>	<u><u>9,146,893</u></u>	<u><u>9,627,607</u></u>

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)**

**8.1.3 Audited Statements of Changes in Equity of Innovax**

The audited statements of changes in equity of Innovax based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>Share Capital RM</b>	<b>Accumulated Losses RM</b>	<b>Total Equity RM</b>
<b>At 1 January 2012</b>	200,000	(1,656,137)	(1,456,137)
Profit for the financial year, representing total comprehensive income for the financial year	-	188,630	188,630
<b>At 31 December 2012/ 1 January 2013</b>	200,000	(1,467,507)	(1,267,507)
Profit for the financial year, representing total comprehensive income for the financial year	-	97,565	97,565
<b>At 31 December 2013/ 1 January 2014</b>	200,000	(1,369,942)	(1,169,942)
Profit for the financial year, representing total comprehensive income for the financial year	-	140,707	140,707
<b>At 31 December 2014</b>	<u>200,000</u>	<u>(1,229,235)</u>	<u>(1,029,235)</u>

**8.1.4 Audited Statements of Cash Flows of Innovax**

The audited statements of cash flows of Innovax based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>2012 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>
<b>Cash flows from Operating Activities</b>			
Profit before tax	50,851	168,636	239,072
Adjustments for:			
Depreciation of property, plant and equipment	1,034,580	1,087,948	1,120,871
Interest income	-	(31)	-
Interest expense	298,331	345,562	2,056
Operating profit before working capital changes, carried down	1,383,762	1,602,115	1,361,999

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)

8.1.4 Audited Statements of Cash Flows of Innovax (cont'd)

	2012 RM	2013 RM	2014 RM
Operating profit before working capital changes, brought down	1,383,762	1,602,115	1,361,999
<b>Changes in working capital:</b>			
Trade and other receivables	(1,072,784)	(353,848)	(1,183,726)
Trade and other payables	78,589	(181,758)	241,642
Cash generated from operations	389,567	1,066,509	419,915
Interest paid	(298,331)	(345,562)	(2,056)
Interest received	-	31	-
Tax refund	10,000	-	-
Net cash generated from operating activities	101,236	720,978	417,859
<b>Cash flows from Investing Activity</b>			
Purchase of property, plant and equipment, representing net cash used in investing activity	(568,858)	(540,893)	(262,346)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(467,622)	180,085	155,513
Cash and cash equivalents at beginning of the financial year	615,858	148,236	328,321
<b>Cash and cash equivalents at end of the financial year</b>	148,236	328,321	483,834

8.1.5 Notes to the Audited Financial Statements of Innovax

8.1.5.1 Revenue

This represents research and development services rendered.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)**
**8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)**
**8.1.5.2 Profit Before Tax**

Profit before tax is arrived at after charging/(crediting):-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Audit fees	6,000	6,000	6,000
Depreciation of property, plant and equipment	1,034,580	1,087,948	1,120,871
Interest expense			
- immediate holding company	25,665	9,287	726
- related companies	272,666	335,254	-
- others	-	1,021	1,330
Interest income	-	(31)	-
Rental of premises	861,598	800,542	756,931
Staff costs:			
- salaries, wages and others	1,280,141	1,193,132	1,176,534
- contribution to EPF	231,472	216,276	206,897

**8.1.5.3 Tax (Credit)/Expense**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Current tax expense</b>			
- Current year	-	-	222,739
<b>Deferred tax expense</b>			
Origination of temporary differences	14,230	44,437	(161,646)
(Over)/Under provision of deferred tax in prior year	(152,009)	26,634	37,272
	(137,779)	71,071	(124,374)
Tax (credit)/expense	(137,779)	71,071	98,365

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)**
**8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)**
**8.1.5.3 Tax (Credit)/Expense (cont'd)**

The reconciliation from the tax amount at the statutory income tax rate to the Innovax's tax expense is as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before tax	<u>50,851</u>	<u>168,636</u>	<u>239,072</u>
Tax at the Malaysian statutory income tax rate of 25%	12,700	42,200	59,800
Tax effect of non-deductible expenses (Over)/Under provision of deferred tax in prior year	<u>(152,009)</u>	<u>26,634</u>	<u>37,272</u>
Tax (credit)/expense	<u>(137,779)</u>	<u>71,071</u>	<u>98,365</u>

Innovax income tax saving are as follows:

	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Income tax savings arising from utilisation of tax losses	180,600	37,480
Income tax savings arising from capital allowances	<u>16,800</u>	<u>-</u>
	<u>197,400</u>	<u>37,480</u>

Innovax has estimated unutilised tax losses of RMnil (2013: RM149,908; 2012: RM872,420) and unabsorbed capital allowances of RM nil (2013: RM nil; 2012: RM67,068) carried forward, available for set-off against future taxable profits.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)****8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)****8.1.5.4 Property, Plant and Equipment**

	<b>Motor vehicles RM</b>	<b>Buildings and improvement RM</b>	<b>Furniture and fittings RM</b>	<b>Machinery and equipment RM</b>	<b>Total RM</b>
<b>2012</b>					
<b>Cost</b>					
At 1 January 2012	134,900	5,081,463	384,584	5,075,524	10,676,471
Additions	-	-	144,163	424,695	568,858
At 31 December 2012	134,900	5,081,463	528,747	5,500,219	11,245,329
<b>Accumulated Depreciation</b>					
At 1 January 2012	83,225	1,965,440	203,874	2,661,534	4,914,073
Charge for the financial year	32,637	506,689	39,453	455,801	1,034,580
At 31 December 2012	115,862	2,472,129	243,327	3,117,335	5,948,653
<b>Net Carrying Amount</b>					
At 31 December 2012	19,038	2,609,334	285,420	2,382,884	5,296,676

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)****8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)****8.1.5.4 Property, Plant and Equipment (cont'd)**

	<b>Motor vehicles RM</b>	<b>Buildings and improvement RM</b>	<b>Furniture and fittings RM</b>	<b>Machinery and equipment RM</b>	<b>Total RM</b>
<b>2013</b>					
<b>Cost</b>					
At 1 January 2013	134,900	5,081,463	528,747	5,500,219	11,245,329
Additions	-	-	36,735	504,158	540,893
At 31 December 2013	134,900	5,081,463	565,482	6,004,377	11,786,222
<b>Accumulated Depreciation</b>					
At 1 January 2013	115,862	2,472,129	243,327	3,117,335	5,948,653
Charge for the financial year	19,038	499,817	58,771	510,322	1,087,948
At 31 December 2013	134,900	2,971,946	302,098	3,627,657	7,036,601
<b>Net Carrying Amount</b>					
At 31 December 2013	-	2,109,517	263,384	2,376,720	4,749,621



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)****8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)****8.1.5.4 Property, Plant and Equipment (cont'd)**

	<b>Motor vehicles RM</b>	<b>Buildings and improvement RM</b>	<b>Furniture and fittings RM</b>	<b>Machinery and equipment RM</b>	<b>Total RM</b>
<b>2014</b>					
<b>Cost</b>					
At 1 January 2014	134,900	5,081,463	565,482	6,004,377	11,786,222
Additions	-	-	-	262,346	262,346
At 31 December 2014	134,900	5,081,463	565,482	6,266,723	12,048,568
<b>Accumulated Depreciation</b>					
At 1 January 2014	134,900	2,971,946	302,098	3,627,657	7,036,601
Charge for the financial year	-	492,944	60,357	567,570	1,120,871
At 31 December 2014	134,900	3,464,890	362,455	4,195,227	8,157,472
<b>Net Carrying Amount</b>					
At 31 December 2014	-	1,616,573	203,027	2,071,496	3,891,096

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)**
**8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)**
**8.1.5.5 Trade and Other Receivables**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade</b>			
Amount due from related companies	2,882,209	3,519,186	3,857,756
<b>Non-trade</b>			
Amount due from immediate holding company	-	418	-
Amounts due from related companies	385,731	84,644	419,514
Other receivables	-	17,540	431,344
Deposits	447,163	447,163	503,163
Prepayment	-	-	40,900
	<u>832,894</u>	<u>549,765</u>	<u>1,394,921</u>
	<u>3,715,103</u>	<u>4,068,951</u>	<u>5,252,677</u>

Innovax's normal trade credit term is 30 days (2013: 30 days; 2012: 30 days).

The aging analysis of Innovax's trade receivables is as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Neither past due nor impaired	1,528,982	1,406,175	1,445,524
1 to 30 days past due not impaired	370,741	241,834	539,842
31 to 60 days past due not impaired	442,511	434,752	499,273
61 to 90 days past due not impaired	-	500,624	389,664
91 to 120 days past due not impaired	539,975	346,916	313,168
121 to 150 days past due not impaired	-	588,885	670,285
	<u>1,353,227</u>	<u>2,113,011</u>	<u>2,412,232</u>
	<u>2,882,209</u>	<u>3,519,186</u>	<u>3,857,756</u>

At the reporting date, there is no indication that the amount is not recoverable. None of the trade receivables are secured by any collateral or credit enhancement.

The non-trade amounts due from immediate holding company and related companies are unsecured, subject to interest of 3.83% to 3.87% (2013: 3.83% to 3.85%; 2012: 3.95% to 4.03%) per annum and repayable on demand.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)****8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)****8.1.5.6 Share Capital**

	<b>Number of ordinary shares of RM1 each</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
		<b>Amount</b>	
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>

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 Innovax and rank equally with regards to Innovax's residual assets.

**8.1.5.7 Deferred Tax Liabilities**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
At beginning of financial year	415,306	277,527	348,598
Recognised in profit or loss	<u>(137,779)</u>	<u>71,071</u>	<u>(124,374)</u>
At end of financial year	<u>277,527</u>	<u>348,598</u>	<u>224,224</u>

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)**

**8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)**

**8.1.5.7 Deferred Tax Liabilities (cont'd)**

Presented after appropriate offsetting as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deferred tax assets	(234,872)	(37,477)	-
Deferred tax liabilities	512,399	386,075	224,224
	<u>277,527</u>	<u>348,598</u>	<u>224,224</u>

This is in respect of estimated deferred tax (assets)/liabilities arising from temporary differences as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Deferred tax assets</b>			
Unabsorbed capital allowances	(16,767)	-	-
Unutilised tax losses	(218,105)	(37,477)	-
	<u>(234,872)</u>	<u>(37,477)</u>	<u>-</u>
<b>Deferred tax liabilities</b>			
Differences between the carrying amount of property, plant and equipment and its tax base	512,399	386,075	224,224
	<u>512,399</u>	<u>386,075</u>	<u>224,224</u>

**8.1.5.8 Trade and Other Payables**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade</b>			
Third parties	6,248	-	9,863
<b>Non-trade</b>			
Amount due to immediate holding company	692,140	155,149	-
Amounts due to related companies	8,991,101	9,407,657	9,724,364
Other payables	34,449	144,873	381,522
Accruals	426,057	260,558	94,130
	<u>10,143,747</u>	<u>9,968,237</u>	<u>10,200,016</u>
	<u>10,149,995</u>	<u>9,968,237</u>	<u>10,209,879</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)****8.1.6 Notes to the Audited Financial Statements of Innovax (cont'd)****8.1.5.8 Trade and Other Payables (cont'd)**

Innovax's normal trade credit term is 30 days (2013: 30 days; 2012: 30 days).

The non-trade amount due to immediate holding company is unsecured, subject to interest of 3.83% to 3.87% (2013: 3.83% to 3.85%; 2012: 3.95%) per annum and repayable on demand.

The non-trade amounts due to related companies are unsecured, interest free (2013: interest bearing at 3.83% to 3.85% per annum; 2012: 3.95% per annum) and repayable on demand.

**8.1.5.9 Related Parties Disclosures****(i) Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to Innovax if Innovax 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 Innovax and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Innovax has related party relationship with its holding and related companies.

**(ii) Related party transactions**

There are no related party transactions with key management personnel.

The related party transactions of Innovax are as below:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Transaction with immediate holding company:			
Interest expense	25,665	9,287	726
Transactions with related companies:			
Sales	7,237,730	7,823,492	7,358,950
Purchases	31,963	17,329	2,763
Interest expense	272,666	335,254	-
Rental of premises	861,598	800,542	756,931

Information regarding outstanding balances arising from the transactions with the holding company and related companies are disclosed in Notes 8.1.5.5 and 8.1.5.8.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)****8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)****8.1.5.10 Financial Instruments****(i) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 7.0 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2012</b>			
<b>Financial assets</b>			
Trade and other receivables	3,715,103	-	3,715,103
Cash and bank balances	148,236	-	148,236
Total financial assets	<u>3,863,339</u>	<u>-</u>	<u>3,863,339</u>
<b>Financial Liability</b>			
Trade and other payables	-	10,149,995	10,149,995
Total financial liability	<u>-</u>	<u>10,149,995</u>	<u>10,149,995</u>
<b>2013</b>			
<b>Financial assets</b>			
Trade and other receivables	4,068,951	-	4,068,951
Cash and bank balances	328,321	-	328,321
Total financial assets	<u>4,397,272</u>	<u>-</u>	<u>4,397,272</u>
<b>Financial Liability</b>			
Trade and other payables	-	9,968,237	9,968,237
Total financial liability	<u>-</u>	<u>9,968,237</u>	<u>9,968,237</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)****8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)****8.1.5.10 Financial Instruments (cont'd)****(i) Classification of financial instruments (cont'd)**

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2014</b>			
<b>Financial assets</b>			
Trade and other receivables	5,252,677	-	5,252,677
Cash and bank balances	483,834	-	483,834
Total financial assets	5,736,511	-	5,736,511
<b>Financial Liability</b>			
Trade and other payables	-	10,209,879	10,209,879
Total financial liability	-	10,209,879	10,209,879

**(ii) Financial risk management objectives and policies**

Innovax's financial risk management policy is to ensure that adequate financial resources are available for the development of Innovax's operations whilst managing its financial risk, including credit risk, liquidity risk and interest rate risk.

The following sections provide details regarding Innovax's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

Exposure to credit risk

Innovax's exposure to credit risk arises primarily from amounts due from related companies. Innovax monitors the results of the related companies regularly.

At the reporting date, Innovax's maximum exposure to credit risk is presented by their carrying amounts in the statements of financial position.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)****8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)****8.1.5.10 Financial Instruments (cont'd)****(ii) Financial risk management objectives and policies (cont'd)****(a) Credit risk (cont'd)**Exposure to credit risk (cont'd)

As at the end of the reporting period, there was no indication that the amounts due from related companies are not recoverable. Innovax does not specifically monitor the ageing of amounts due from related companies. Nevertheless, the amount due from related companies has been overdue for less than a year.

Credit risk concentration profile

Innovax determines concentrations of credit risk by monitoring profiles of its receivables on an ongoing basis.

**(b) Liquidity risk**

Liquidity risk is the risk that Innovax will encounter difficulty in meeting financial obligations when they fall due. Innovax's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Innovax actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, Innovax maintains sufficient levels of cash to meet its working capital requirements.

Innovax is dependent on the financial support from its immediate holding company to meet its financial obligations as and when they fall due. All of Innovax's financial liabilities at the reporting date are either repayable on demand or mature within one year.

**(c) Interest rate risk**

Innovax is exposed to interest rate risk arises primarily from amount due from/to immediate holding company and related companies. Innovax manages its interest risk by monitoring the outstanding balances due from/to immediate holding company and related companies.



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.1 AUDITED FINANCIAL STATEMENTS OF INNOVAX (cont'd)****8.1.5 Notes to the Audited Financial Statements of Innovax (cont'd)****8.1.5.10 Financial Instruments (cont'd)****(ii) Financial risk management objectives and policies (cont'd)****(c) Interest rate risk (cont'd)**

The carrying amounts of Innovax's financial instruments that are exposed to interest rate risk are as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Fixed rate instruments</b>			
Financial assets	385,731	85,062	419,514
Financial liabilities	<u>(9,683,241)</u>	<u>(9,562,806)</u>	<u>(9,724,364)</u>

Interest rate sensitivity analysis

Innovax does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of reporting period would not affect profit or loss.

**8.1.5.11 Fair Value Measurement**Financial assets and liabilities

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

**8.1.5.12 Capital Management**

The primary objective of Innovax's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

Innovax manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Innovax may align the dividend payment to shareholders, return capital to shareholders or issue new shares. Innovax relies on the financial support from its immediate holding company to make repayment as and when they fall due. No changes were made in the objectives, policies and processes during the FYE 2012, FYE 2013 and FYE 2014. There were no changes in Innovax's approach to capital management during the financial year.

Innovax is not subject to any externally imposed capital requirements.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS****8.2.1 Audited Statements of Comprehensive Income of CCM Pharmaceuticals**

The audited statements of comprehensive income of CCM Pharmaceuticals based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	<b>2012</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Revenue	8.2.5.1	144,788	135,899	146,541
Cost of sales		<u>(99,511)</u>	<u>(93,264)</u>	<u>(97,987)</u>
Gross profit		45,277	42,635	48,554
Other income		234	539	487
Distribution expenses		(31,617)	(31,840)	(36,483)
Administrative expenses		(10,337)	(10,130)	(11,729)
Other expenses		(1,300)	(176)	-
		<u>(43,254)</u>	<u>(42,146)</u>	<u>(48,212)</u>
<b>Profit from operations</b>		2,257	1,028	829
Interest expense		(626)	(533)	(36)
<b>Profit before tax</b>	8.2.5.2	1,631	495	793
Tax expense	8.2.5.3	-	(66)	(186)
<b>Profit for the financial year, representing total comprehensive income for the financial year</b>		<u>1,631</u>	<u>429</u>	<u>607</u>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)**
**8.2.2 Audited Statements of Financial Position of CCM Pharmaceuticals**

The audited statements of financial position of CCM Pharmaceuticals based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM'000	2013 RM'000	2014 RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8.2.5.4	4,031	3,685	3,310
Investment properties	8.2.5.5	1,300	1,600	1,600
Investment in subsidiaries	8.2.5.6	2,844	2,844	2,844
Deferred tax assets	8.2.5.7	666	613	613
		<u>8,841</u>	<u>8,742</u>	<u>8,367</u>
<b>Current assets</b>				
Inventories	8.2.5.8	34,063	29,322	38,404
Tax asset		3,610	4,431	1,117
Trade and other receivables	8.2.5.9	83,548	85,576	95,577
Cash and bank balances		14,153	15,614	16,014
		<u>135,374</u>	<u>134,943</u>	<u>151,112</u>
<b>Total assets</b>		<u>144,215</u>	<u>143,685</u>	<u>159,479</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	8.2.5.10	8,000	8,000	8,000
Retained earnings		11,422	3,451	4,058
<b>Total equity</b>		19,422	11,451	12,058
<b>Liability</b>				
<b>Current liabilities</b>				
Loans and borrowings	8.2.5.11	-	-	2,642
Trade and other payables	8.2.5.12	124,793	132,234	144,779
<b>Total liabilities</b>		124,793	132,234	147,421
<b>Total equity and liabilities</b>		<u>144,215</u>	<u>143,685</u>	<u>159,479</u>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)**
**8.2.3 Audited Statements of Changes in Equity of CCM Pharmaceuticals**

The audited statements of changes in equity of CCM Pharmaceuticals based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	Share Capital RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
<b>At 1 January 2012</b>		8,000	9,791	17,791
<b>Comprehensive income</b>				
Profit for the financial year, representing total comprehensive income for the financial year		-	1,631	1,631
<b>At 31 December 2012/ 1 January 2013</b>		8,000	11,422	19,422
<b>Comprehensive income</b>				
Profit for the financial year, representing total comprehensive income for the financial year		-	429	429
<b>Transaction with owners</b>				
Dividend paid, representing total transaction with owners	8.2.5.14	-	(8,400)	(8,400)
<b>At 31 December 2013/ 1 January 2014</b>		8,000	3,451	11,451
Profit for the financial year, representing total comprehensive income for the financial year		-	607	607
<b>At 31 December 2014</b>		8,000	4,058	12,058

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)**
**8.2.4 Audited Statements of Cash Flows of CCM Pharmaceuticals**

The audited statements of cash flows of CCM Pharmaceuticals based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	2012 RM'000	2013 RM'000	2014 RM'000
<b>Cash flows from Operating Activities</b>			
Profit before tax	1,631	495	793
Adjustments for:			
Changes in fair value on investment properties	(196)	(300)	-
Depreciation of property, plant and equipment	474	598	597
Interest expense	626	533	36
Gain on disposal of property, plant and equipment	(33)	-	-
Provision for obsolete stock	369	643	1,145
(Reversal of)/Impairment loss on trade receivables	(885)	(818)	338
Unrealised exchange gain	(74)	(312)	(559)
Operating profit before working capital changes	1,912	839	2,350
<b>Changes in working capital:</b>			
Inventories	(11,493)	4,098	(10,227)
Trade and other receivables	1,444	(898)	(9,780)
Trade and other payables	14,596	7,441	12,545
Cash generated from/(used in) operations	6,459	11,480	(5,112)
Interest paid	(626)	(533)	(36)
Tax paid	(982)	(834)	(295)
Tax refund	1,365	-	3,423
Net cash generated from/(used in) operating activities	6,216	10,113	(2,020)
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment	(2,916)	(252)	(222)
Proceeds from disposal of property, plant and equipment	53	-	-
Net cash used in investing activities, carried down	(2,863)	(252)	(222)

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)**
**8.2.4 Audited Statements of Cash Flows of CCM Pharmaceuticals (cont'd)**

	2012 RM'000	2013 RM'000	2014 RM'000
Balance brought down	(2,863)	(252)	(222)
<b>Cash flows from Financing Activities</b>			
Dividend paid	-	(8,400)	-
Proceeds from bank borrowings	-	-	2,642
Net cash (used in)/from financing activities	-	(8,400)	2,642
<b>Net increase in cash and cash equivalents</b>	3,353	1,461	400
Cash and cash equivalents at beginning of the financial year	10,800	14,153	15,614
<b>Cash and cash equivalents at end of the financial year</b>	14,153	15,614	16,014

**8.2.5 Notes to the Audited Financial Statements of CCM Pharmaceuticals**
**8.2.5.1 Revenue**

This represents sales of goods.

**8.2.5.2 Profit Before Tax**

Profit before tax is arrived at after charging:-

	2012 RM'000	2013 RM'000	2014 RM'000
Auditors' remuneration:-			
- Statutory audit	31	33	33
- Other services	32	-	-
- Underprovision in prior year	3	-	-
Depreciation of property, plant and equipment	474	598	597
Interest expense of financial liabilities that are not at fair value through profit or loss:			
- Amount due to immediate holding company	535	445	-
- Amounts due to related companies	91	88	-
- Bank overdraft	-	-	36

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)**
**8.2.5 Notes to the Audited Financial Statements of CCM Pharmaceuticals (cont'd)**
**8.2.5.2 Profit Before Tax (cont'd)**

	2012	2013	2014
	RM'000	RM'000	RM'000
Immediate holding company management fees	2,225	1,070	1,484
Personnel expenses (including key management personnel):			
- Contribution to EPF	1,241	1,302	1,584
- Wages, salaries and others	9,604	12,129	12,573
Provision for obsolete stock	369	643	1,145
Rental expenses on property	613	1,027	1,783
Impairment loss on trade receivables	-	-	338
Realised foreign exchange loss	42	27	-
Unrealised foreign exchange loss	18	-	-
<b>and after crediting:</b>			
Change in fair value on investment properties	196	300	-
Gain on disposal of property, plant and equipment	33	-	-
Rental income from investment properties	66	66	66
Reversal of impairment loss on trade receivables	885	818	-
Realised foreign exchange gain	1	260	134
Unrealised foreign exchange gain	92	312	559

**8.2.5.3 Tax Expense**

	2012	2013	2014
	RM'000	RM'000	RM'000
Current tax expense			
- Current year	-	-	14
- Under provision in prior year	-	13	172
	-	13	186
Deferred tax expense			
- Origination and reversal of temporary differences	-	53	-
Tax expense	-	66	186

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)****8.2.5 Notes to the Audited Financial Statements of CCM Pharmaceuticals (cont'd)****8.2.5.3 Tax Expense (cont'd)**

The reconciliation from the tax amount at the statutory income tax rate to CCM Pharmaceuticals' tax expense is as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	<u>1,631</u>	<u>495</u>	<u>793</u>
Tax at the Malaysian statutory income tax rate of 25%	407	124	198
Tax effect of non-deductible expenses	284	94	164
Tax incentives	(257)	(19)	(24)
Utilisation of previously unrecognised deferred tax assets	(434)	(146)	(324)
Under provision of tax expense in prior year	<u>-</u>	<u>13</u>	<u>172</u>
Tax expense	<u>-</u>	<u>66</u>	<u>186</u>

CCM Pharmaceuticals has estimated unutilised tax losses of RM7,804,000 (2013: RM10,418,000; 2012: RM11,213,000) carried forward, available for set-off against future taxable profits.

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividend will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to the locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

CCM Pharmaceuticals has tax credit under Section 108 of the Income Tax Act, 1967 to pay franked dividend of approximately RM Nil (2013: RM Nil; 2012: RM8,877,591).



ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)

8.2.5 Notes to the Audited Financial Statements of CCM Pharmaceuticals (cont'd)

8.2.5.4 Property, Plant and Equipment

	Buildings At valuation RM'000	Plant, machinery and equipment At cost RM'000	Motor vehicles RM'000	Total RM'000
<b>2012</b>				
At 1 January 2012	180	5,965	772	6,917
Additions	-	2,851	65	2,916
Disposals	-	(38)	(226)	(264)
Written-off	-	(51)	-	(51)
At 31 December 2012	180	8,727	611	9,518
<b>Accumulated Depreciation</b>				
At 1 January 2012	12	4,701	595	5,308
Charge for the financial year	(3)	426	51	474
Disposals	-	(38)	(206)	(244)
Written-off	-	(51)	-	(51)
At 31 December 2012	9	5,038	440	5,487
<b>Net Carrying Amount</b>				
At 31 December 2012	171	3,689	171	4,031

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)

8.2.5 Notes to the Audited Financial Statements of CCM Pharmaceuticals (cont'd)

8.2.5.4 Property, Plant and Equipment (cont'd)

	Buildings At valuation RM'000	Plant, machinery and equipment At cost RM'000	Motor vehicles RM'000	Total RM'000
<b>2013</b>				
At 1 January 2013	180	8,727	611	9,518
Additions	-	245	7	252
Disposal	-	(2)	-	(2)
Written-off	-	(48)	-	(48)
At 31 December 2013	180	8,922	618	9,720
<b>Accumulated Depreciation</b>				
At 1 January 2013	9	5,038	440	5,487
Charge for the financial year	5	537	56	598
Disposal	-	(2)	-	(2)
Written-off	-	(48)	-	(48)
At 31 December 2013	14	5,525	496	6,035
<b>Net Carrying Amount</b>				
At 31 December 2013	166	3,397	122	3,685
<b>2014</b>				
<b>Cost</b>				
At 1 January 2014	180	8,922	618	9,720
Additions	-	40	182	222
At 31 December 2014	180	8,962	800	9,942
<b>Accumulated Depreciation</b>				
At 1 January 2014	14	5,525	496	6,035
Charge for the financial year	5	536	56	597
At 31 December 2014	19	6,061	552	6,632
<b>Net Carrying Amount</b>				
At 31 December 2014	161	2,901	248	3,310

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)****8.2.5 Notes to the Audited Financial Statements of CCM Pharmaceuticals (cont'd)****8.2.5.4 Property, Plant and Equipment (cont'd)**

The long term leasehold land of CCM Pharmaceuticals has an unexpired lease period of more than 50 years (2013: more than 50 years; 2012: more than 50 years).

**8.2.5.5 Investment Properties**

	2012 RM'000	2013 RM'000	2014 RM'000
As at beginning of the year	1,104	1,300	1,600
Change in fair value recognised in profit or loss	<u>196</u>	<u>300</u>	<u>-</u>
As at end of the year	<u><u>1,300</u></u>	<u><u>1,600</u></u>	<u><u>1,600</u></u>

Included in the above are:

**At fair value**

Leasehold land with unexpired lease period of more than 50 years	840	1,000	1,000
Buildings	<u>460</u>	<u>600</u>	<u>600</u>
	<u><u>1,300</u></u>	<u><u>1,600</u></u>	<u><u>1,600</u></u>

Investment properties comprise an intermediate 1 ½ storey terraced factory building that is leased to a subsidiary and a plot of vacant residential detached building land.

**8.2.5.6 Investment in Subsidiaries**

	2012 RM'000	2013 RM'000	2014 RM'000
Unquoted shares - at cost	<u>2,844</u>	<u>2,844</u>	<u>2,844</u>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
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- 8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)
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- 8.2.5 Notes to the Audited Financial Statements of CCM Pharmaceuticals (cont'd)
- 8.2.5.6 Investment in Subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective equity interest		
			2012	2013	2014
			%	%	%
CCM Biopharma	Malaysia	Dormant	100	100	100
NPSB	Malaysia	Dormant	100	100	100
SPSB	Malaysia	Distributor of pharmaceutical products	100	100	100
UP (IPOH)	Malaysia	Trading of pharmaceutical products	100	100	100
UP(PENANG)	Malaysia	Distributor of pharmaceutical products	100	100	100

**8.2.5.7 Deferred Tax Assets**

	2012	2013	2014
	RM'000	RM'000	RM'000
At beginning of the year	666	666	613
Recognised in profit or loss	-	(53)	-
At end of the year	666	613	613

Deferred tax assets/(liabilities) are attributable to the following:

	2012	2013	2014
	RM'000	RM'000	RM'000
Property, plant and equipment	(217)	(270)	(270)
Receivables	735	735	735
Inventories	13	13	13
Other items	135	135	135
Net deferred tax assets	666	613	613

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**8.2.5.7 Deferred Tax Assets (cont'd)**
Unrecognised deferred tax assets

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

	2012 RM'000	2013 RM'000	2014 RM'000
Unutilised tax losses	11,213	10,418	7,842
Other deductible temporary differences	(1,472)	(1,261)	21
	<u>9,741</u>	<u>9,157</u>	<u>7,863</u>

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which they can be utilised.

**8.2.5.8 Inventories**

	2012 RM'000	2013 RM'000	2014 RM'000
<b>At cost,</b>			
Finished goods	<u>34,063</u>	<u>29,322</u>	<u>38,404</u>
Recognised in profit or loss:			
Inventories recognised as cost of sales	99,511	93,264	97,787
Provision of obsolete stock	<u>369</u>	<u>643</u>	<u>1,145</u>

**8.2.5.9 Trade and Other Receivables**

	2012 RM'000	2013 RM'000	2014 RM'000
<b>Trade</b>			
Trade receivables	35,680	35,784	37,633
Amounts due from subsidiaries	321	1,102	-
Amounts due from related companies	<u>5,496</u>	<u>5,608</u>	<u>6,959</u>
	41,497	42,494	44,592
Less: Allowance for impairment loss	<u>(1,258)</u>	<u>(440)</u>	<u>(778)</u>
	<u>40,239</u>	<u>42,054</u>	<u>43,814</u>

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- 8.2.5.9 **Trade and Other Receivables (cont'd)**

	2012 RM'000	2013 RM'000	2014 RM'000
<b>Non-trade</b>			
Other receivables	5	-	-
Deposits	258	452	1,563
Prepayments	759	611	7,510
Amounts due from subsidiaries	155	159	164
Amounts due from related companies	42,132	42,300	42,526
	<u>43,309</u>	<u>43,522</u>	<u>51,763</u>
	<u>83,548</u>	<u>85,576</u>	<u>95,577</u>

The movements in allowance for impairment for trade receivables are individually impaired as follows:

	2012 RM'000	2013 RM'000	2014 RM'000
At the beginning of the year	2,143	1,258	440
Addition	-	-	338
Reversal	(885)	(818)	-
At the end of the year	<u>1,258</u>	<u>440</u>	<u>778</u>

The trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

CCM Pharmaceuticals' normal trade credit term range from 30 to 60 days (2013: 30 to 60 days; 2012: 30 to 60 days). The trade and other receivables due from subsidiaries and related companies are unsecured, interest free and repayable on demand.

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**8.2.5.9 Trade and Other Receivables (cont'd)**

The ageing analysis of CCM Pharmaceuticals' trade receivables is as follows:

	2012 RM'000	2013 RM'000	2014 RM'000
Neither past due nor impaired	29,423	34,568	32,795
1 to 30 days past due not impaired	2,070	1,303	3,388
31 to 120 days past due not impaired	4,970	1,440	2,784
More than 120 days past due not impaired	5,034	5,183	5,625
	<u>12,074</u>	<u>7,926</u>	<u>11,797</u>
	41,497	42,494	44,592
Impaired	<u>(1,258)</u>	<u>(440)</u>	<u>(778)</u>
	<u>40,239</u>	<u>42,054</u>	<u>43,814</u>

Receivables that are past due but not impaired

CCM Pharmaceuticals has trade receivables amounting to RM11,797,000 (2013: RM7,926,000; 2012: RM12,074,000) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable.

No impairment loss on trade receivables has been made as, in the opinion of the management, the debts would be collected in full within the next twelve months.

**8.2.5.10 Share Capital**

	Number of ordinary shares of RM1 each		
	2012 '000	2013 '000	2014 '000
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)****8.2.5 Notes to the Audited Financial Statements of CCM Pharmaceuticals (cont'd)****8.2.5.10 Share Capital (cont'd)**

	<b>Amount</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>

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 CCM Pharmaceuticals. All shares rank equally with regard to CCM Pharmaceuticals' residual assets.

**8.2.5.11 Loans and borrowings**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>			
Banker's acceptances	<u>-</u>	<u>-</u>	<u>2,642</u>

**Security**

- (i) On 30 October 2014, CCM Pharmaceuticals had issued a Banker's acceptance amounting to RM1,500,000 at a rate of 4.16% per annum to mature on 7 January 2015. This banker's acceptance is guaranteed by Malayan Banking Berhad.
- (ii) On 31 December 2014, CCM Pharmaceuticals had issued a Banker's acceptance amounting to RM1,142,000 at a rate of 4.05% per annum to mature on 27 February 2015. This banker's acceptance is guaranteed by Malayan Banking Berhad.



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**8.2.5.12 Trade and Other Payables**

	Note	2012 RM'000	2013 RM'000	2014 RM'000
<b>Trade</b>				
Trade payables		746	539	701
Amounts due to related companies	a,b	99,164	103,751	113,614
Amounts due to subsidiaries	a	-	2,614	1,962
		99,910	106,904	116,277
<b>Non-trade</b>				
Other payables		1,797	1,651	2,679
Accrued expenses		6,745	5,387	6,853
Amounts due to subsidiaries	c	55	2,689	7,339
Amount due to immediate holding company	d	16,286	15,603	11,631
		24,883	25,330	28,502
		124,793	132,234	144,779

- (a) The trade payables due to related companies and subsidiaries are subject to credit term of 30 to 90 days (2013: 30 to 90 days; 2012: 30 to 90 days).
- (b) The trade payables due to related companies amounted to RM2,671,000 (2013: RM2,671,000; 2012: RM2,583,000) is unsecured, interest free (2013: interest bearing at 3.83% to 3.85% per annum; 2012: 3.95% to 4.03% per annum) and repayable on demand.
- (c) The non-trade payables due to subsidiaries are unsecured, interest free and repayable on demand.
- (d) The non-trade payables due to immediate holding company are unsecured, interest free (2013: 3.83% to 3.85%; 2012: 3.99%) per annum and repayable on demand.

**8.2.5.13 Key Management Personnel Compensation**

	2012 RM'000	2013 RM'000	2014 RM'000
<b>Directors:</b>			
- Fees	41	51	48
Other key management personnel remuneration	1,984	2,185	1,698
Total short-term employee benefits	2,025	2,236	1,746

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)****8.2.5 Notes to the Audited Financial Statements of CCM Pharmaceuticals (cont'd)****8.2.5.14 Dividends**

	<b>RM per share</b>	<b>Total amount RM'000</b>	<b>Date of payment</b>
<b>2013</b>			
Interim 2013 ordinary (net of 25% tax)	1.40	<u>8,400</u>	30 September 2013

**8.2.5.15 Related Party Disclosures****(i) Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to CCM Pharmaceuticals if CCM Pharmaceuticals 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 CCM Pharmaceuticals and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of CCM Pharmaceuticals either directly or indirectly. The key management personnel includes all the Directors of CCM Pharmaceuticals, and certain members of senior management of CCM Pharmaceuticals. Key management personnel compensation are disclosed in Note 8.2.5.13.

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**8.2.5.15 Related Party Disclosures (cont'd)**
**(ii) Related party transactions**

The transactions with related parties of CCM Pharmaceuticals, other than key management personnel (disclosed in Note 8.2.5.13) are as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Transactions with:</b>			
<b>Immediate holding company</b>			
Management fees	(2,225)	(1,070)	(1,484)
Interest expense	(535)	(445)	-
<b>Subsidiaries</b>			
Rental of premise income	66	66	66
Sales of products	20,221	4,103	13
Shared cost receivables	90	90	68
<b>Other related parties</b>			
Sales of products	4,202	6,762	7,666
Shared cost receivables	856	941	1,002
Purchase of products	(117,917)	(75,834)	(105,201)
Rental of premises expenses	(180)	(180)	(180)
Interest expense	(91)	(88)	-

**8.2.5.16 Financial Instruments**
**(i) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 7.0 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

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**8.2.5.16 Financial Instruments (cont'd)**
**(i) Classification of financial instruments (cont'd)**

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	<b>Loans and receivables RM'000</b>	<b>Financial liabilities at amortised cost RM'000</b>	<b>Total RM'000</b>
<b>2012</b>			
<b>Financial Assets</b>			
Trade and other receivables	83,548	-	83,548
Cash and bank balances	14,153	-	14,153
Total financial assets	<u>97,701</u>	<u>-</u>	<u>97,701</u>
<b>Financial Liability</b>			
Trade and other payables	<u>-</u>	<u>124,793</u>	<u>124,793</u>
<b>2013</b>			
<b>Financial Assets</b>			
Trade and other receivables	85,576	-	85,576
Cash and bank balances	15,614	-	15,614
Total financial assets	<u>101,190</u>	<u>-</u>	<u>101,190</u>
<b>Financial Liability</b>			
Trade and other payables	<u>-</u>	<u>132,234</u>	<u>132,234</u>
<b>2014</b>			
<b>Financial Assets</b>			
Trade and other receivables	95,577	-	95,577
Cash and cash equivalents	16,014	-	16,014
Total financial assets	<u>111,591</u>	<u>-</u>	<u>111,591</u>
<b>Financial Liability</b>			
Trade and other payables	<u>-</u>	<u>144,779</u>	<u>144,779</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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- 8.0 **HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
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- 8.2.5.16 **Financial Instruments (cont'd)**

**(ii) Financial risk management objectives and policies**

CCM Pharmaceuticals' financial risk management policy is to ensure that adequate financial resources are available for the development of CCM Pharmaceuticals' operations whilst managing its financial risk, including credit risk, liquidity risk and foreign currency risk.

The following sections provide details regarding CCM Pharmaceuticals' exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) Credit risk**

Receivables

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. CCM Pharmaceuticals' exposure to credit risk arises principally from the inability of its customers to make payments when due. Bank balances are placed with credit worthy financial institutions.

*Exposure to credit risk*

CCM Pharmaceuticals' maximum exposure to credit risk is represented by the carrying amount of each class of financial asset recognised in the statements 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 CCM Pharmaceuticals. CCM Pharmaceuticals uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

Inter Company balances

CCM Pharmaceuticals provides advances to subsidiaries and related companies. The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position as at the end of the financial years.

There was no indication that the advances to subsidiaries and related companies are not recoverable. CCM Pharmaceuticals does not specifically monitor ageing of the current advances to the subsidiaries and related companies.

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**8.2.5.16 Financial Instruments (cont'd)**
**(ii) Financial risk management objectives and policies (cont'd)**
**(b) Liquidity Risk**

Liquidity risk is the risk that CCM Pharmaceuticals will encounter difficulty in meeting financial obligations when they fall due. CCM Pharmaceuticals' exposure to liquidity risk arises primarily from subsidiaries, related companies, immediate holding company, its various payables and other applicable contractual obligations and commitments.

CCM Pharmaceuticals maintains a prudent level of cash and cash equivalents to ensure current working capital requirements are met. CCM Pharmaceuticals also reviews its cash flow requirements regularly. All of CCM Pharmaceuticals' financial liabilities at the reporting date mature within a year or are repayable on demand.

**(c) Foreign currency risk**

CCM Pharmaceuticals is exposed to foreign currency risk on purchases that are denominated in a currency other than Ringgit Malaysia.

*Risk management objectives, policies and processes for managing risk.*

CCM Pharmaceuticals 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*

CCM Pharmaceuticals' exposure to foreign currency (a currency which is other than the currency of CCM Pharmaceuticals) risk, based on carrying amounts as at the end of the reporting period was:

<i>In thousand RM</i>	<b>SGD</b>	<b>USD</b>	<b>HKD</b>	<b>EURO</b>	<b>THB</b>	<b>PHP</b>	<b>GBP</b>	<b>Total</b>
<b>2012</b>								
Trade receivables	-	1,409	50	-	-	-	-	1,459
Trade payables	-	(97)	-	(5)	(29)	-	(49)	(180)
Intra-company balances	617	4,542	-	-	-	(388)	-	4,771
	<u>617</u>	<u>5,854</u>	<u>50</u>	<u>(5)</u>	<u>(29)</u>	<u>(388)</u>	<u>(49)</u>	<u>6,050</u>

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**(ii) Financial risk management objectives and policies (cont'd)**
**(c) Foreign currency risk (cont'd)**
*Exposure to foreign currency risk (cont'd)*

<i>In thousand RM</i>	<b>SGD</b>	<b>USD</b>	<b>HKD</b>	<b>EURO</b>	<b>THB</b>	<b>PHP</b>	<b>GBP</b>	<b>Total</b>
<b>2013</b>								
Trade receivables	-	2,109	-	-	-	-	-	2,109
Trade payables	-	(378)	(8)	-	(29)	-	(49)	(464)
Intra-company balances	393	4,314	-	-	-	(87)	-	4,620
	<u>393</u>	<u>6,045</u>	<u>(8)</u>	<u>-</u>	<u>(29)</u>	<u>(87)</u>	<u>(49)</u>	<u>6,265</u>
<b>2014</b>								
Trade receivables	-	2,415	9	-	-	-	-	2,424
Trade payables	-	(524)	-	-	(29)	-	-	(553)
Intra-company balances	312	5,734	-	-	-	217	-	6,263
	<u>312</u>	<u>7,625</u>	<u>9</u>	<u>-</u>	<u>(29)</u>	<u>217</u>	<u>-</u>	<u>8,134</u>

*Currency risk sensitivity analysis*

A 10% (2013:10%; 2012:10%) strengthening of RM 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 assumes that all other variables in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	<b>Net increase/(decrease) in profit or loss</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
SGD	(46)	(29)	(23)
USD	(439)	(453)	(572)
HKD	4	1	(1)
EURO	-	-	-
THB	2	2	2
PHP	29	7	(16)
GBP	4	4	-

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**8.2.5.16 Financial Instruments (cont'd)**
**(ii) Financial risk management objectives and policies (cont'd)**
**(c) Foreign currency risk (cont'd)**
*Currency risk sensitivity analysis (cont'd)*

A 10% (2013: 10%; 2012:10%) weakening of the RM against the above currencies as at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**8.2.5.17 Fair Value Measurement**
Financial assets and liabilities

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

Other assets

Fair value of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2014</b>				
Land	-	-	1,000	1,000
Buildings	-	-	600	600
	-	-	1,600	1,600
<b>2013</b>				
Land	-	-	1,000	1,000
Buildings	-	-	600	600
	-	-	1,600	1,600
<b>2012</b>				
Land	-	-	840	840
Buildings	-	-	460	460
	-	-	1,300	1,300

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.



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)****8.2.5 Notes to the Audited Financial Statements of CCM Pharmaceuticals (cont'd)****8.2.5.17 Fair Value Measurement (cont'd)**Level 1

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

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 land and buildings 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

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

There is no transfer between Level 1 and 2 fair values.

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.	<p>Recent transactions of similar properties at or near reporting period with similar land and building usage, land and building size and location.</p> <p>The characteristics merit 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.</p>	The estimated fair value would increase/(decrease) if recent transactions of similar properties at or near reporting period with similar land and building usage, land and building size and location were higher/(lower).

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.2 AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS (cont'd)**
**8.2.5 Notes to the Audited Financial Statements of CCM Pharmaceuticals (cont'd)**
**8.2.5.17 Fair Value Measurement (cont'd)**
Valuation processes applied by CCM Pharmaceuticals for Level 3 fair value

The fair value of investment properties 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 fair value of CCM Pharmaceuticals' 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.

Investment properties comprise an intermediate 1 ½ storey terraced factory building with a land area of 279 square metres.

**8.2.5.18 Capital Management**

The primary objective of CCM Pharmaceuticals' capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

CCM Pharmaceuticals manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, CCM Pharmaceuticals may align the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the FYE 2012, FYE 2013 and FYE 2014. There were no changes in CCM Pharmaceuticals' approach to capital management during the financial year.

CCM Pharmaceuticals is not subject to any externally imposed capital requirements.

**8.2.5.19 Capital and Other Commitments**

	2012 RM'000	2013 RM'000	2014 RM'000
<b>Plant, machinery and equipment</b>			
Authorised but not contracted for	-	-	37
Contracted but not provided for	103	2	134
	<u>103</u>	<u>2</u>	<u>134</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

- 8.0 **HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES** (cont'd)
- 8.2 **AUDITED FINANCIAL STATEMENTS OF CCM PHARMACEUTICALS** (cont'd)
- 8.2.5 **Notes to the Audited Financial Statements of CCM Pharmaceuticals** (cont'd)
- 8.2.5.20 **Contingencies**

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	2012	2013	2014
	RM'000	RM'000	RM'000
Bank guarantee obtained by the Company	-	1,142	588

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

### 8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

#### 8.3 AUDITED FINANCIAL STATEMENTS OF CCM BIOPHARMA

##### 8.3.1 Audited Statements of Comprehensive Income of CCM Biopharma

The audited statements of comprehensive income of CCM Biopharma based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
Administrative expenses		(34,871)	(5,097)	(13,961)
<b>Loss from operations</b>		<b>(34,871)</b>	<b>(5,097)</b>	<b>(13,961)</b>
Interest expense		(2,197)	(3,242)	-
<b>Loss before tax</b>	8.3.5.1	<b>(37,068)</b>	<b>(8,339)</b>	<b>(13,961)</b>
Tax expense	8.3.5.2	-	-	-
<b>Loss for the financial year, representing total comprehensive income for the financial year</b>		<b>(37,068)</b>	<b>(8,339)</b>	<b>(13,961)</b>

##### 8.3.2 Audited Statements of Financial Position of CCM Biopharma

The audited statements of financial position of CCM Biopharma based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
<b>ASSET</b>				
<b>Current asset</b>				
Other receivables, representing total asset	8.3.5.3	127,390	127,390	127,390
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	8.3.5.4	210,000	210,000	210,000
Accumulated losses		(173,038)	(181,377)	(195,338)
<b>Total equity</b>		<b>36,962</b>	<b>28,623</b>	<b>14,662</b>
<b>Liability</b>				
<b>Current liability</b>				
Other payables, representing total liability	8.3.5.5	90,428	98,767	112,728
<b>Total equity and liabilities</b>		<b>127,390</b>	<b>127,390</b>	<b>127,390</b>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.3 AUDITED FINANCIAL STATEMENTS OF CCM BIOPHARMA (cont'd)****8.3.3 Audited Statements of Changes in Equity of CCM Biopharma**

The audited statements of changes in equity of CCM Biopharma based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>Share Capital RM</b>	<b>Accumulated Losses RM</b>	<b>Total Equity RM</b>
<b>At 1 January 2012</b>	210,000	(135,970)	74,030
Loss for the financial year, representing total comprehensive income for the financial year	-	(37,068)	(37,068)
<b>At 31 December 2012/ 1 January 2013</b>	210,000	(173,038)	36,962
Loss for the financial year, representing total comprehensive income for the financial year	-	(8,339)	(8,339)
<b>At 31 December 2013/ 1 January 2014</b>	210,000	(181,377)	28,623
Loss for the financial year, representing total comprehensive income for the financial year	-	(13,961)	(13,961)
<b>At 31 December 2014</b>	210,000	(195,338)	14,662

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.3 AUDITED FINANCIAL STATEMENTS OF CCM BIOPHARMA (cont'd)**
**8.3.4 Audited Statements of Cash Flows of CCM Biopharma**

The audited statements of cash flows of CCM Biopharma based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cash flows from Operating Activities</b>			
Loss before tax	(37,068)	(8,339)	(13,961)
Adjustment for:			
Interest expense	2,197	3,242	-
Operating loss before working capital changes	(34,871)	(5,097)	(13,961)
<b>Change in working capital:</b>			
Changes in payables	37,068	8,339	13,961
Cash used in operations	2,197	3,242	-
Interest paid	(2,197)	(3,242)	-
<b>Net change in operating activities, representing net change in cash and cash equivalents</b>	-	-	-
Cash and cash equivalents at beginning of the financial year	-	-	-
<b>Cash and cash equivalents at end of the financial year</b>	-	-	-

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.2 AUDITED FINANCIAL STATEMENTS OF CCM BIOPHARMA (cont'd)**
**8.3.5 Notes to the Audited Financial Statements of CCM Biopharma**
**8.3.5.1 Loss Before Tax**

Loss before tax is arrived at after charging/(crediting):-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration :-			
- current year	1,500	1,500	1,500
- over provision in prior year	(700)	-	-
Management fees	33,412	2,840	11,481
Interest expense			
- Intermediate holding company	<u>2,197</u>	<u>3,242</u>	<u>-</u>

**8.3.5.2 Tax Expense**

There is no tax expense in the current and prior financial years as CCM Biopharma is in a tax loss position.

The reconciliation from the tax amount at the statutory income tax rate to CCM Biopharma's tax expense is as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Loss before tax	<u>(37,068)</u>	<u>(8,339)</u>	<u>(13,961)</u>
Tax at the Malaysian statutory income tax rate of 25%	(9,267)	(2,085)	(3,490)
Tax effect of non-deductible expenses	9,267	375	375
Deferred tax assets not recognised	-	1,710	3,115
Tax expense	<u>-</u>	<u>-</u>	<u>-</u>

CCM Biopharma has estimated unutilised tax losses of RM134,664 (2013: RM122,204; 2012: RM115,370) carried forward, available for set-off against future taxable profits.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.3 AUDITED FINANCIAL STATEMENTS OF CCM BIOPHARMA (cont'd)****8.3.5 Notes to the Audited Financial Statements of CCM Biopharma (cont'd)****8.3.5.3 Other Receivables**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Amount due from immediate holding company	29,428	29,428	29,428
Amount due from related company	93,822	93,822	93,822
Deposits	4,140	4,140	4,140
	<u>127,390</u>	<u>127,390</u>	<u>127,390</u>

The amounts due from immediate holding company and related company are unsecured, interest free and repayable on demand.

**8.3.5.4 Share Capital**

	<b>Number of ordinary shares of RM1 each</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>210,000</u>	<u>210,000</u>	<u>210,000</u>
		<b>Amount</b>	
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>210,000</u>	<u>210,000</u>	<u>210,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by CCM Biopharma. All ordinary shares carry one vote per share without restrictions and rank equally with regard to CCM Biopharma's residual assets.



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.3 AUDITED FINANCIAL STATEMENTS OF CCM BIOPHARMA (cont'd)****8.3.5 Notes to the Audited Financial Statements of CCM Biopharma (cont'd)****8.3.5.5 Other Payables**

	2012 RM	2013 RM	2014 RM
Amount due to intermediate holding company	86,958	93,227	104,708
Amount due to immediate holding company	1,970	4,040	6,520
Accruals	1,500	1,500	1,500
	90,428	98,767	112,728

The amount due to immediate holding company is unsecured, interest free and repayable on demand.

The amount due to intermediate holding company is unsecured, interest free (2013: interest bearing at 3.85% per annum; 2012: 3.99% per annum) and repayable on demand.

**8.3.5.6 Deferred Tax**

The estimated temporary differences for which no deferred tax asset is recognised in the financial statements is as follows:-

	2012 RM	2013 RM	2014 RM
Unutilised tax losses	115,370	122,204	134,664

Deferred tax asset has not been recognised in respect of this item because it is not probable that future taxable profit will be available against which CCM Biopharma can utilise the benefits therefrom.

**8.3.5.7 Related Parties****(i) Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to CCM Biopharma if CCM Biopharma 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 CCM Biopharma and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.3 AUDITED FINANCIAL STATEMENTS OF CCM BIOPHARMA (cont'd)****8.3.5 Notes to the Audited Financial Statements of CCM Biopharma (cont'd)****8.3.5.7 Related Parties (cont'd)****(i) Identity of related parties (cont'd)**

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of CCM Biopharma either directly or indirectly. The key management personnel include all the Directors of CCM Biopharma and certain members of senior management of CCM Biopharma.

**(ii) Significant related party transactions**

There are no significant related party transactions with key management personnel.

The related party transactions of CCM Biopharma are as below:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Transaction with intermediate holding company:			
Interest expense	2,197	3,242	-
Management fees	33,412	2,840	11,481
	<u>35,609</u>	<u>6,082</u>	<u>11,481</u>

The balances related to the transactions are shown in Note 8.3.5.5.

**8.3.5.8 Financial Instruments****(i) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 7.0 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.3 AUDITED FINANCIAL STATEMENTS OF CCM BIOPHARMA (cont'd)****8.3.5 Notes to the Audited Financial Statements of CCM Biopharma (cont'd)****8.3.5.8 Financial Instruments (cont'd)****(i) Classification of financial instruments (cont'd)**

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2012</b>			
<b>Financial asset</b>			
Other receivables	127,390	-	127,390
<b>Financial Liability</b>			
Other payables	-	90,428	90,428
<b>2013</b>			
<b>Financial asset</b>			
Other receivables	127,390	-	127,390
<b>Financial Liability</b>			
Other payables	-	98,767	98,767
<b>2014</b>			
<b>Financial asset</b>			
Other receivables	127,390	-	127,390
<b>Financial Liability</b>			
Other payables	-	112,728	112,728

**(ii) Financial risk management objectives and policies**

CCM Biopharma's financial risk management policy is to ensure that adequate financial resources are available for the development of CCM Biopharma's operations whilst managing its financial risk, including credit risk and liquidity risk.

The following sections provide details regarding CCM Biopharma's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.3 AUDITED FINANCIAL STATEMENTS OF CCM BIOPHARMA (cont'd)****8.3.5 Notes to the Audited Financial Statements of CCM Biopharma (cont'd)****8.3.5.8 Financial Instruments (cont'd)****(ii) Financial risk management objectives and policies (cont'd)**

CCM Biopharma is exposed to a variety of risks in the normal course of business. CCM Biopharma's risk management policy seeks to minimise the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks as follows:

**(a) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

*Exposure to credit risk*

CCM Biopharma's exposure to credit risk arises primarily from amounts due from immediate holding company and related companies. CCM Biopharma monitors the results of the immediate holding company and related companies regularly.

CCM Biopharma's maximum exposure to credit risk is presented by their carrying amounts in the statements of financial position.

There was no indication that these amounts are not recoverable. CCM Biopharma regards that the risk are not significant.

*Credit risk concentration profile*

CCM Biopharma determines concentrations of credit risk by monitoring profiles of its receivables on an ongoing basis.

**(b) Liquidity Risk**

Liquidity risk is the risk that CCM Biopharma will encounter difficulty in meeting financial obligations when they fall due. CCM Biopharma's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

CCM Biopharma actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, CCM Biopharma maintains sufficient levels of cash to meet its working capital requirements.

All of CCM Biopharma's liabilities at the reporting date mature within a year or are repayable on demand.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.3 AUDITED FINANCIAL STATEMENTS OF CCM BIOPHARMA (cont'd)****8.3.5 Notes to the Audited Financial Statements of CCM Biopharma (cont'd)****8.3.5.9 Fair Value Measurement**Financial assets and liabilities

The carrying amounts of short term receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

**8.3.5.10 Capital Management**

The primary objective of CCM Biopharma's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

CCM Biopharma manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, CCM Biopharma may align the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended 2014, 2013 and 2012. There were no changes in CCM Biopharma's approach to capital management during the financial year.

CCM Biopharma is not subject to any externally imposed capital requirements.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

### 8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

#### 8.4 AUDITED FINANCIAL STATEMENTS OF SPSB

##### 8.4.1 Audited Statements of Comprehensive Income of SPSB

The audited statements of comprehensive income of SPSB based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
Revenue	8.4.5.1	9,017,370	748,835	858,051
Cost of sales		<u>(7,528,067)</u>	<u>-</u>	<u>-</u>
Gross profit		1,489,303	748,835	858,051
Other income		6,578	-	1,713
Administrative expenses		<u>(802,792)</u>	<u>(659,211)</u>	<u>(748,199)</u>
Distribution expenses		<u>(56,608)</u>	<u>(53,935)</u>	<u>(68,992)</u>
		<u>(859,400)</u>	<u>(713,146)</u>	<u>(817,191)</u>
<b>Profit before tax</b>	8.4.5.2	636,481	35,689	42,573
Taxation	8.4.5.3	<u>(281,402)</u>	<u>(13,355)</u>	<u>(12,064)</u>
<b>Profit for the financial year, representing total comprehensive income for the financial year</b>		<u>355,079</u>	<u>22,334</u>	<u>30,509</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)****8.4.2 Audited Statements of Financial Position of SPSB**

The audited statements of financial position of SPSB based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
<b>Assets</b>				
<b>Non-current asset</b>				
Property, plant and equipment	8.4.5.4	143,578	113,253	88,554
<b>Current assets</b>				
Trade and other receivables	8.4.5.5	3,338,436	2,645,430	4,774,866
Current tax assets		29,024	136,270	41,592
Cash and bank balances		1,583,001	2,032,426	234,937
		4,950,461	4,814,126	5,051,395
<b>Total assets</b>		5,094,039	4,927,379	5,139,949
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital	8.4.5.6	235,002	235,002	235,002
Retained earnings		4,629,606	4,651,940	4,682,449
<b>Total equity</b>		4,864,608	4,886,942	4,917,451
<b>Liabilities</b>				
<b>Non-current liability</b>				
Deferred tax liabilities	8.4.5.7	17,148	24,146	18,124
<b>Current liability</b>				
Other payables	8.4.5.8	212,283	16,291	204,374
<b>Total liabilities</b>		229,431	40,437	222,498
<b>Total equity and liabilities</b>		5,094,039	4,927,379	5,139,949

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)**
**8.4.3 Audited Statements of Changes in Equity of SPSB**

The audited statements of changes in equity of SPSB based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>Distributable</b>		
	<b>Share Capital RM</b>	<b>Retained Earnings RM</b>	<b>Total Equity RM</b>
<b>At 1 January 2012</b>	235,002	4,274,527	4,509,529
Profit for the financial year, representing total comprehensive income for the financial year	-	355,079	355,079
<b>At 31 December 2012/ 1 January 2013</b>	235,002	4,629,606	4,864,608
Profit for the financial year, representing total comprehensive income for the financial year	-	22,334	22,334
<b>At 31 December 2013/ 1 January 2014</b>	235,002	4,651,940	4,886,942
Profit for the financial year, representing total comprehensive income for the financial year	-	30,509	30,509
<b>At 31 December 2014</b>	<u>235,002</u>	<u>4,682,449</u>	<u>4,917,451</u>

**8.4.4 Audited Statements of Cash Flows of SPSB**

The audited statements of cash flows of SPSB based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>2012 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>
<b>Cash flows from Operating Activities</b>			
Profit before tax	636,481	35,689	42,573
Adjustment for:			
Depreciation of property, plant and equipment	25,875	31,175	24,699
Reversal of impairment loss on trade receivables	(6,578)	-	(1,713)
Operating profit before working capital changes, balance carried down	<u>655,778</u>	<u>66,864</u>	<u>65,559</u>



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)****8.4.4 Audited Statements of Cash Flows of SPSB (cont'd)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Balance brought down	655,778	66,864	65,559
<b>Changes in working capital:</b>			
Inventories	1,597,354	-	-
Trade and other receivables	(1,137,345)	693,006	(2,127,723)
Trade and other payables	(523,461)	(195,992)	188,083
Cash generated from/(used in) operating activities	592,326	563,878	(1,874,081)
Tax (paid)/refund	(176,244)	(113,603)	76,592
Net cash generated from/(used in) operating activities	416,082	450,275	(1,797,489)
<b>Cash flows from Investing Activity</b>			
Purchase of property, plant and equipment, representing net cash used in investing activity	(103,093)	(850)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	312,989	449,425	(1,797,489)
Cash and cash equivalents at beginning of the financial year	1,270,012	1,583,001	2,032,426
<b>Cash and cash equivalents at end of the financial year</b>	<u>1,583,001</u>	<u>2,032,426</u>	<u>234,937</u>

**8.4.5 Notes to the Audited Financial Statements of SPSB****8.4.5.1 Revenue**

This represent the sales of goods and distributions.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)**
**8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)**
**8.4.5.2 Profit Before Tax**

Profit before tax is arrived at after charging/(crediting):-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Audit fees			
- Current year	9,500	9,500	9,500
- Under provided in prior year	4,500	-	
Depreciation of property, plant and equipment	25,875	31,175	24,699
Personnel expenses (including key management personnel):			
- salaries, wages and others	331,164	278,274	270,172
- contribution to state plans	45,414	33,380	35,354
Rental of premises	66,000	66,000	66,000
Rental of office equipment	-	-	3,129
Reversal of impairment loss on trade receivables	(6,578)	-	(1,713)
	<u>(6,578)</u>	<u>-</u>	<u>(1,713)</u>

**8.4.5.3 Tax Expense**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Income tax expense:			
- Current year	150,188	16,058	17,259
- Under/(Over) provision in prior year	119,658	(9,701)	827
	269,846	6,357	18,086
Deferred tax expense:			
- Origination/(Reversal) of temporary difference	10,608	(6,911)	(6,178)
Underprovision in prior year	948	13,909	156
	<u>11,556</u>	<u>6,998</u>	<u>(6,022)</u>
Tax expense	<u>281,402</u>	<u>13,355</u>	<u>12,064</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)****8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)****8.4.5.3 Tax Expense (cont'd)**

The reconciliation from the tax amount at the statutory income tax rate to SPSB's tax expense is as follows:-

	2012 RM	2013 RM	2014 RM
Profit before tax	636,481	35,689	42,573
Tax at the Malaysian statutory income tax rate of 25%	159,100	8,900	10,600
Tax effect of non-deductible expenses	1,696	247	481
Under/(Over) provision in prior year:-			
- Current year tax	119,658	(9,701)	827
- Deferred tax	948	13,909	156
Tax expense	281,402	13,355	12,064

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividend will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to the locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

SPSB has tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income account to pay franked dividend of approximately RM Nil and RM283,132 (2013: RM Nil and RM283,132; 2012: RM468,649 and RM283,132) respectively.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)****8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)****8.4.5.4 Property, Plant and Equipment**

	<b>Motor vehicles RM</b>	<b>Furniture and fittings and office equipment RM</b>	<b>Total RM</b>
<b>2012</b>			
<b>Cost</b>			
At 1 January 2012	18,600	93,063	111,663
Additions	-	103,093	103,093
At 31 December 2012	18,600	196,156	214,756
<b>Accumulated Depreciation</b>			
At 1 January 2012	6,130	39,173	45,303
Charge for the financial year	3,650	22,225	25,875
At 31 December 2012	9,780	61,398	71,178
<b>Net Carrying Amount</b>			
At 31 December 2012	8,820	134,758	143,578
<b>2013</b>			
<b>Cost</b>			
At 1 January 2013	18,600	196,156	214,756
Additions	-	850	850
At 31 December 2013	18,600	197,006	215,606
<b>Accumulated Depreciation</b>			
At 1 January 2013	9,780	61,398	71,178
Charge for the financial year	3,649	27,526	31,175
At 31 December 2013	13,429	88,924	102,353
<b>Net Carrying Amount</b>			
At 31 December 2013	5,171	108,082	113,253

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)**
**8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)**
**8.4.5.4 Property, Plant and Equipment (cont'd)**

	<b>Motor vehicles RM</b>	<b>Furniture and fittings and office equipment RM</b>	<b>Total RM</b>
<b>2014</b>			
<b>Cost</b>			
At 1 January/31 December 2014	18,600	197,006	215,606
<b>Accumulated Depreciation</b>			
At 1 January 2014	13,429	88,924	102,353
Charge for the financial year	3,649	21,050	24,699
At 31 December 2014	17,078	109,974	127,052
<b>Net Carrying Amount</b>			
At 31 December 2014	1,522	87,032	88,554

**8.4.5.5 Trade and Other Receivables**

	<b>2012 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>
<b>Trade</b>			
Third parties	2,475,391	22,619	17,763
Amount due from immediate holding company	867,190	1,629,764	2,262,343
	3,342,581	1,652,383	2,280,106
Less : Allowance for impairment	(19,476)	(19,476)	(17,763)
	3,323,105	1,632,907	2,262,343
<b>Non-trade</b>			
Amount due from immediate holding company	-	1,000,000	2,500,000
Other receivables, deposits and prepayments	15,331	12,523	12,523
	15,331	1,012,523	2,512,523
	3,338,436	2,645,430	4,774,866

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)**
**8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)**
**8.4.5.5 Trade and Other Receivables (cont'd)**

The movements in allowance for impairment are individually impaired as follows:

	2012 RM	2013 RM	2014 RM
At the beginning of the financial year	26,054	19,476	19,476
Reversal of impairment loss on trade receivables	(6,578)	-	(1,713)
At the end of the financial year	<u>19,476</u>	<u>19,476</u>	<u>17,763</u>

SPSB's normal trade credit term is 30 days (2013: 30 days; 2012: 30 days). The trade and other receivables due from immediate holding and related companies are unsecured, interest free and repayable on demand.

The aging analysis of SPSB's trade receivables is as follows:

	2012 RM	2013 RM	2014 RM
Neither past due nor impaired	2,863,967	749,443	1,378,879
1 to 30 days past due not impaired	231,740	-	-
31 to 60 days past due not impaired	93,216	-	-
More than 60 days past due not impaired	134,182	883,464	883,464
	459,138	883,464	883,464
	3,323,105	1,632,907	2,262,343
Impaired	19,476	19,476	17,763
	<u>3,342,581</u>	<u>1,652,383</u>	<u>2,280,106</u>

Receivables that are past due but not impaired

SPSB has trade receivables amounting to RM883,464 (2013: RM883,464; 2012: RM459,138) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)****8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)****8.4.5.5 Trade and Other Receivables (cont'd)**

No impairment loss on trade receivables has been made as, in the opinion of the management, the debts would be collected in full within the next twelve months.

**8.4.5.6 Share Capital**

	<b>Number of ordinary shares of RM1 each</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>235,002</u>	<u>235,002</u>	<u>235,002</u>
		<b>Amount</b>	
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>235,002</u>	<u>235,002</u>	<u>235,002</u>

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 SPSB. All shares rank equally with regard to SPSB's residual assets.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)**

**8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)**

**8.4.5.7 Deferred Tax Liabilities**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
At beginning of financial year	5,592	17,148	24,146
Recognised in profit or loss	<u>11,556</u>	<u>6,998</u>	<u>(6,022)</u>
At end of financial year	<u><u>17,148</u></u>	<u><u>24,146</u></u>	<u><u>18,124</u></u>

Deferred tax (assets)/liabilities are attributable to the following:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Others deductible temporary differences	(4,869)	-	-
Differences between the carrying amount of property, plant and equipment and its tax base	<u>22,017</u>	<u>24,146</u>	<u>18,124</u>
	<u><u>17,148</u></u>	<u><u>24,146</u></u>	<u><u>18,124</u></u>

**8.4.5.8 Other Payables**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Amount due to intermediate holding company	186,777	325	188,426
Other payables	17,300	7,982	7,982
Accruals	<u>8,206</u>	<u>7,984</u>	<u>7,966</u>
	<u><u>212,283</u></u>	<u><u>16,291</u></u>	<u><u>204,374</u></u>

The non-trade payable amount due to intermediate holding company is interest free and repayable on demand.



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)****8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)****8.4.5.9 Related Party Disclosures****(i) Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to SPSB if SPSB 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 SPSB 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 SPSB either directly or indirectly. The key management personnel include all the Directors of SPSB, and certain members of senior management of SPSB.

**(ii) Related party transactions**

There is no related party transaction with key management personnel.

The related party transactions of SPSB are as below.

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Transaction with immediate holding company:</b>			
Purchase of products	6,579,000	-	-
Transfer of inventories	1,176,000	52,000	-
Rental of premise expenses	66,000	66,000	66,000
Shared cost expenses	30,000	30,000	30,000
Loan advances	-	1,000,000	1,500,000
Management services rendered	-	(749,000)	(858,000)
<b>Transaction with intermediate holding companies:</b>			
Management fees	72,000	61,000	110,000
<b>Transaction with related companies:</b>			
Sales commission	(33,000)	(23,000)	-

The balances related to the transactions are shown in Note 8.4.5.5 and Note 8.4.5.8.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)****8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)****8.4.5.10 Financial Instruments****(i) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 7.0 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2012</b>			
<b>Financial assets</b>			
Trade and other receivables	3,338,436	-	3,338,436
Cash and bank balances	1,583,001	-	1,583,001
Total financial assets	4,921,437	-	4,921,437
<b>Financial Liability</b>			
Other payables	-	212,283	212,283
Total financial liability	-	212,283	212,283
<b>2013</b>			
<b>Financial assets</b>			
Trade and other receivables	2,645,430	-	2,645,430
Cash and bank balances	2,032,426	-	2,032,426
Total financial assets	4,677,856	-	4,677,856
<b>Financial Liability</b>			
Other payables	-	16,291	16,291
Total financial liability	-	16,291	16,291

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)****8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)****8.4.5.10 Financial Instruments (cont'd)****(i) Classification of financial instruments**

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2014</b>			
<b>Financial assets</b>			
Trade and other receivables	4,774,866	-	4,774,866
Cash and bank balances	234,937	-	234,937
Total financial assets	5,009,803	-	5,009,803
<b>Financial Liability</b>			
Other payables	-	204,374	204,374
Total financial liability	-	204,374	204,374

**(ii) Financial risk management objectives and policies**

SPSB's financial risk management policy is to ensure that adequate financial resources are available for the development of SPSB's operations whilst managing its financial risk, including credit risk and liquidity risk.

The following sections provide details regarding SPSB's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) Credit risk**Receivables

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. SPSB's exposure to credit risk arises principally from the inability of its customers to make payments when due. Bank balances are placed with credit worthy financial institutions.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)****8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)****8.4.5.10 Financial Instruments (cont'd)****(ii) Financial risk management objectives and policies (cont'd)****(a) Credit risk (cont'd)***Exposure to credit risk*

SPSB's exposure to credit risk arises primarily from receivables and advance to immediate holding company. SPSB monitors the results of the immediate holding company regularly.

SPSB's maximum exposure to credit risk is presented by their carrying amounts in the statements of financial position.

There was no indication that these amounts are not recoverable. SPSB regards that the risk are not significant.

SPSB determines concentrations of credit risk by monitoring profiles of its receivables on an ongoing basis. SPSB does not have any significant exposure to any individual customer.

**(b) Liquidity Risk**

Liquidity risk is the risk that SPSB will encounter difficulty in meeting financial obligations when they fall due. SPSB's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

SPSB actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, SPSB maintains sufficient levels of cash to meet its working capital requirements.

All of SPSB's liabilities at the reporting date mature within a year or are repayable on demand.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.4 AUDITED FINANCIAL STATEMENTS OF SPSB (cont'd)****8.4.5 Notes to the Audited Financial Statements of SPSB (cont'd)****8.4.5.11 Fair Value Measurement**Financial assets and liabilities

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

**8.4.5.12 Capital Management**

The primary objective of SPSB's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

SPSB manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, SPSB may align the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial year ended 2014, 2013 and 2012. There were no changes in SPSB's approach to capital management during the financial year.

SPSB is not subject to any externally imposed capital requirements.

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH)

8.5.1 Audited Statements of Comprehensive Income of UP (IPOH)

The audited statements of comprehensive income of UP (IPOH) based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
Revenue	8.5.5.1	5,294,765	5,273,640	930,092
Cost of sales		<u>(4,469,203)</u>	<u>(4,537,810)</u>	<u>(769,705)</u>
Gross profit		825,562	735,830	160,387
Other income		1,755	27,197	10,002
Administrative expenses		<u>(512,422)</u>	<u>(465,791)</u>	<u>(366,243)</u>
Distribution expenses		<u>(34,512)</u>	<u>(38,697)</u>	<u>(1,552)</u>
		<u>(546,934)</u>	<u>(504,488)</u>	<u>(367,795)</u>
<b>Profit/(loss) before tax</b>	8.5.5.2	280,383	258,539	(197,406)
Tax expense	8.5.5.3	<u>(81,638)</u>	<u>(64,537)</u>	<u>(3,984)</u>
<b>Profit/(loss) for the financial year, representing total comprehensive income for the financial year</b>		<u>198,745</u>	<u>194,002</u>	<u>(201,390)</u>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)**
**8.5.2 Audited Statements of Financial Position of UP (IPOH)**

The audited statements of financial position of UP (IPOH) based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8.5.5.4	17,420	12,379	-
Deferred tax assets	8.5.5.5	4,800	-	-
		22,220	12,379	-
<b>Current assets</b>				
Inventories	8.5.5.6	903,696	780,542	-
Trade and other receivables	8.5.5.7	1,459,734	1,533,683	778,363
Tax assets		7,169	11,694	44,899
Cash and bank balances		238,276	487,420	1,244,585
		2,608,875	2,813,339	2,067,847
<b>Total assets</b>		<b>2,631,095</b>	<b>2,825,718</b>	<b>2,067,847</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	8.5.5.8	300,000	300,000	300,000
Retained earnings		1,758,008	1,952,010	1,750,620
<b>Total equity</b>		<b>2,058,008</b>	<b>2,252,010</b>	<b>2,050,620</b>
<b>Liability</b>				
<b>Current liability</b>				
Trade and other payables	8.5.5.9	573,087	573,708	17,227
<b>Total liability</b>		<b>573,087</b>	<b>573,708</b>	<b>17,227</b>
<b>Total equity and liability</b>		<b>2,631,095</b>	<b>2,825,718</b>	<b>2,067,847</b>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)****8.5.3 Audited Statements of Changes in Equity of UP (IPOH)**

The audited statements of changes in equity of UP (IPOH) based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>Share Capital RM</b>	<b>Distributable Retained Earnings RM</b>	<b>Total Equity RM</b>
<b>At 1 January 2012</b>	300,000	1,559,263	1,859,263
Profit for the financial year, representing total comprehensive income for the financial year	-	198,745	198,745
<b>At 31 December 2012/1 January 2013</b>	300,000	1,758,008	2,058,008
Profit for the financial year, representing total comprehensive income for the financial year	-	194,002	194,002
<b>At 31 December 2013/1 January 2014</b>	300,000	1,952,010	2,252,010
Loss for the financial year, representing total comprehensive income for the financial year	-	(201,390)	(201,390)
<b>At 31 December 2014</b>	<u>300,000</u>	<u>1,750,620</u>	<u>2,050,620</u>



**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)**
**8.5.4 Statements of Cash Flows of UP (IPOH)**

The audited statements of cash flows of UP (IPOH) based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cash Flows from Operating Activities</b>			
Profit/(Loss) before tax	280,383	258,539	(197,406)
Adjustments for:			
Depreciation of property, plant and equipment	5,092	5,041	3,150
Deposit written off	-	-	600
Impairment loss on trade receivables	28,325	10,849	53,699
Write down of inventories	18,107	7,907	-
Gain on disposal of property, plant and equipment	-	-	(4,002)
Property, plant and equipment written off	-	-	4,423
Reversal of provision for Directors fee	-	-	(6,000)
Reversal of impairment loss on trade receivables	(1,587)	(26,998)	-
Operating profit/(loss) before working capital changes	330,320	255,338	(145,536)
<b>Changes in working capital:</b>			
Inventories	36,266	115,247	780,542
Trade and other receivables	(29,492)	(57,800)	707,021
Trade and other payables	(841,741)	621	(556,481)
Cash (used in)/generated from operations	(504,647)	313,406	785,546
Tax paid	(94,388)	(86,250)	(54,204)
Tax refund	3,566	21,988	17,015
Net cash (used in)/generated from operating activities	(595,469)	249,144	748,357
Balance carried down	(595,469)	249,144	748,357

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)****8.5.4 Statements of Cash Flows of UP (IPOH) (cont'd)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Balance brought down	(595,469)	249,144	748,357
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	(970)	-	-
Proceeds from disposal of property, plant and equipment	-	-	8,808
Net cash (used in)/generated from investing activities	(970)	-	8,808
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(596,439)</b>	<b>249,144</b>	<b>757,165</b>
Cash and cash equivalents at beginning of the financial year	834,715	238,276	487,420
<b>Cash and cash equivalents at end of the financial year</b>	<b>238,276</b>	<b>487,420</b>	<b>1,244,585</b>

**8.5.5 Notes to the Audited Financial Statements of UP (IPOH)****8.5.5.1 Revenue**

Revenue of UP (IPOH) represents sales of drugs, medical supplies and health products net of returns and trade discount.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)**
**8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)**
**8.5.5.2 Profit/(Loss) Before Tax**

Profit/(Loss) before tax is arrived at after charging/(crediting):-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration:	8,500	8,500	8,500
- current year			
- underprovision in prior year	3,500	-	-
Depreciation of property, plant and equipment	5,092	5,041	3,150
Deposit written off	-	-	600
Gain on disposal of property, plant and equipment	-	-	(4,002)
Impairment loss on trade receivables	28,325	10,849	53,699
Management fees	46,746	30,047	-
Property, plant and equipment written off	-	-	4,423
Personnel expenses:			
- salaries, wages and others	246,437	259,521	79,436
- contribution to EPF	30,954	31,457	18,758
Rental of premises	26,400	26,400	6,600
Reversal of provision for Directors fee	-	-	(6,000)
Reversal of impairment loss on trade receivables	(1,587)	(26,998)	-
Write down of inventories	18,107	7,907	-

**8.5.5.3 Tax Expense**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Income tax expense</b>			
- Current year	85,000	64,000	-
- (Over)/under provision in prior years	(3,362)	(4,263)	3,984
	<u>81,638</u>	<u>59,737</u>	<u>3,984</u>
<b>Deferred tax expense</b>			
- Origination of temporary differences	-	4,800	-
Tax expense	<u>81,638</u>	<u>64,537</u>	<u>3,984</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)****8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)****8.5.5.3 Tax Expense**

The reconciliation from the tax amount at the statutory income tax rate to UP (IPOH)'s tax expense is as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit/(loss) before tax	<u>280,383</u>	<u>258,539</u>	<u>(197,406)</u>
Tax at the Malaysian statutory income tax rate of 25%	70,000	64,600	(49,400)
Tax effect of non-deductible expenses	2,000	250	36,900
Tax effect of unrecognised temporary differences	13,000	3,950	12,500
(Over)/under provision of tax expense in prior years	<u>(3,362)</u>	<u>(4,263)</u>	<u>3,984</u>
Tax expense	<u>81,638</u>	<u>64,537</u>	<u>3,984</u>

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividend will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to the locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

UP (IPOH) has tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income account to pay franked dividend of approximately RM Nil and RM165,208 (2013: RM Nil and RM165,208; 2012: RM89,794 and RM165,208) respectively.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)****8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)****8.5.5.4 Property, Plant and Equipment**

	<b>Furniture, fittings and office equipment RM</b>	<b>Motor vehicles RM</b>	<b>Total RM</b>
<b>2012</b>			
<b>Cost</b>			
At 1 January 2012	166,451	19,495	185,946
Addition	970	-	970
At 31 December 2012	<u>167,421</u>	<u>19,495</u>	<u>186,916</u>
<b>Accumulated Depreciation</b>			
At 1 January 2012	144,910	19,494	164,404
Charge for the financial year	5,092	-	5,092
At 31 December 2012	<u>150,002</u>	<u>19,494</u>	<u>169,496</u>
<b>Net Carrying Amount</b>			
At 31 December 2012	<u>17,419</u>	<u>1</u>	<u>17,420</u>
<b>2013</b>			
<b>Cost</b>			
At 1 January/ 31 December 2013	<u>167,421</u>	<u>19,495</u>	<u>186,916</u>
<b>Accumulated Depreciation</b>			
At 1 January 2013	150,002	19,494	169,496
Charge for the financial year	5,041	-	5,041
At 31 December 2013	<u>155,043</u>	<u>19,494</u>	<u>174,537</u>
<b>Net Carrying Amount</b>			
At 31 December 2013	<u>12,378</u>	<u>1</u>	<u>12,379</u>

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)

8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)

8.5.5.4 Property, Plant and Equipment (cont'd)

	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
<b>2014</b>			
<b>Cost</b>			
At 1 January 2014	167,421	19,495	186,916
Disposals	(41,337)	(18,000)	(59,337)
Written off	(126,084)	(1,495)	(127,579)
At 31 December 2014	-	-	-
<b>Accumulated Depreciation</b>			
At 1 January 2014	155,043	19,494	174,537
Charge for the financial year	3,150	-	3,150
Disposals	(36,532)	(17,999)	(54,531)
Written off	(121,661)	(1,495)	(123,156)
At 31 December 2014	-	-	-
<b>Net Carrying Amount</b>			
At 31 December 2014	-	-	-

8.5.5.5 Deferred Tax Assets

	2012 RM	2013 RM	2014 RM
At beginning of financial year	(4,800)	(4,800)	-
Recognised in profit or loss	-	4,800	-
At end of financial year	(4,800)	-	-

This is in respect of estimated deferred tax assets/(liabilities) arising from temporary differences as follows:-

	2012 RM	2013 RM	2014 RM
Provisions	(11,400)	-	-
Differences between the carrying amount of property, plant and equipment and its tax base	6,600	-	-
	(4,800)	-	-

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)**
**8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)**
**8.5.5.5 Deferred Tax Assets (cont'd)**

The estimated temporary difference for which no deferred tax asset is recognised in the financial statements is as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other deductible temporary differences	-	27,000	77,000

Deferred tax asset has not been recognised in respect of this item because it is not probable that future taxable profit will be available against which UP (IPOH) can utilise the benefits therefrom.

**8.5.5.6 Inventories**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>At cost,</b>			
Finished goods	903,696	780,542	-
Recognised in profit or loss:			
Inventories recognised as cost of sales	4,469,203	4,537,810	-
Impairment loss on inventories	18,107	7,907	-

**8.5.5.7 Trade and Other Receivables**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade</b>			
Third parties	1,541,091	1,599,065	140,078
Less: Allowance for impairment	(98,894)	(82,745)	(136,444)
Amount due from immediate holding company	-	-	773,628
	1,442,197	1,516,320	777,262
<b>Non-trade</b>			
Amount due from penultimate holding company	-	4,138	1,101
Other receivables	-	1,945	-
Prepayments	10,327	4,070	-
Deposits	7,210	7,210	-
	17,537	17,363	1,101
	1,459,734	1,533,683	778,363

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)****8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)****8.5.5.7 Trade and Other Receivables (cont'd)**

The movements in allowance for impairment for trade receivables are individually impaired as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
At beginning of the financial year	72,156	98,894	82,745
Addition	28,325	10,849	53,699
Reversal	(1,587)	(26,998)	-
At the end of financial year	<u>98,894</u>	<u>82,745</u>	<u>136,444</u>

The trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

UP (IPOH)'s normal trade credit term is 120 days (2013: 120 days; 2012: 120 days).

The amount due from immediate holding company consist solely of debts arising from ordinary trade transactions, is unsecured, interest free and is subject to the normal trade terms.

The non-trade amount due from penultimate holding company is unsecured, non-interest bearing and repayable on demand.

The aging analysis of UP (IPOH)'s trade receivables is as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Neither past due nor impaired	1,404,444	1,361,514	3,634
1 to 30 days past due not impaired	52,696	122,556	773,628
31 to 120 days past due not impaired	14,375	32,250	-
More than 121 days past due not impaired	69,576	82,745	136,444
	136,647	237,551	910,072
Impaired	(98,894)	(82,745)	(136,444)
	<u>1,442,197</u>	<u>1,516,320</u>	<u>777,262</u>

Receivables that are past due but not impaired

UP (IPOH) has trade receivables amounting to RM910,072 (2013: RM237,551; 2012: RM136,647) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable.

No impairment loss on trade receivables has been made as, in the opinion of the management, the debts would be collected in full within the next twelve months.



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)****8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)****8.5.5.8 Share Capital**

	<b>Number of ordinary shares of RM1 each</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
	<b>Amount</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by UP (IPOH). All ordinary shares carry one vote per share without restrictions and rank equally with regard to UP (IPOH)'s residual assets.

**8.5.5.9 Trade and Other Payables**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade</b>			
Third parties	87,651	91,583	8,534
<b>Non-trade</b>			
Amount due to immediate holding company	445,861	445,567	-
Amount due to related company	369	982	-
Accruals	39,206	35,576	8,693
	<u>485,436</u>	<u>482,125</u>	<u>8,693</u>
	<u>573,087</u>	<u>573,708</u>	<u>17,227</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)****8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)****8.5.5.9 Trade and Other Payables (cont'd)**

The trade amount is subject to 30 to 90 days (2013: 30 to 90 days; 2012: 30 to 90 days) credit terms.

The amounts due to immediate holding company and related company are unsecured, interest free and were subject to 30 to 90 days (2013: 30 to 90 days; 2012: 30 to 90 days).

**8.5.5.10 Related Party Disclosures****(i) Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to UP (IPOH) if UP (IPOH) 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 UP (IPOH) 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 UP (IPOH) either directly or indirectly. The key management personnel include all the Directors of UP (IPOH), and certain members of senior management of UP (IPOH).

**(ii) Significant related party transactions**

There is no significant related party transactions with key management personnel.

The related party transactions of UP (IPOH) are as below.

	2012 RM	2013 RM	2014 RM
<b>Transaction with penultimate holding company:</b>			
Management fees	46,746	30,047	5,080
<b>Transaction with immediate holding company:</b>			
Shared costs	30,000	30,000	7,500
Purchases	4,286,840	4,261,168	151,050

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)****8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)****8.5.5.10 Related Party Disclosures****(ii) Related party transactions (cont'd)**

The related party transactions of UP (IPOH) are as below (cont'd).-

	2012	2013	2014
	RM	RM	RM
<b>Transaction with related companies :</b>			
Sales	(8,020)	-	-
Purchases	2,525	6,018	-
	2,525	6,018	-

The balances related to the transactions are shown in Note 8.5.5.7 and Note 8.5.5.9.

**8.5.5.11 Financial Instruments****(i) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 7.0 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Loans and receivables	Financial liabilities at amortised cost	Total
	RM	RM	RM
<b>2012</b>			
<b>Financial assets</b>			
Trade and other receivables	1,459,734	-	1,459,734
Cash and bank balances	238,276	-	238,276
Total financial assets	1,698,010	-	1,698,010
<b>Financial Liability</b>			
Trade and other payables	-	573,087	573,087

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)****8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)****8.5.5.11 Financial Instruments (cont'd)****(i) Classification of financial instruments (cont'd)**

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2013</b>			
<b>Financial assets</b>			
Trade and other receivables	1,533,683	-	1,533,683
Cash and bank balances	487,420	-	487,420
Total financial assets	<u>2,021,103</u>	<u>-</u>	<u>2,021,103</u>
<b>Financial Liability</b>			
Trade and other payables	<u>-</u>	<u>573,708</u>	<u>573,708</u>
<b>2014</b>			
<b>Financial assets</b>			
Trade and other receivables	778,363	-	778,363
Cash and bank balances	1,244,585	-	1,244,585
Total financial assets	<u>2,022,948</u>	<u>-</u>	<u>2,022,948</u>
<b>Financial Liability</b>			
Trade and other payables	<u>-</u>	<u>17,227</u>	<u>17,227</u>

**(ii) Financial risk management objectives and policies**

UP (IPOH)'s financial risk management policy is to ensure that adequate financial resources are available for the development of UP (IPOH)'s operations whilst managing its financial risk, including credit risk and liquidity risk.

**(a) Credit risk**Receivables

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. UP (IPOH)'s exposure to credit risk arises principally from the inability of its customers to make payments when due. Bank balances are placed with credit worthy financial institutions.

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)**

**8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)**

**8.5.5.11 Financial Instruments (cont'd)**

**(ii) Financial risk management objectives and policies (cont'd)**

**(a) Credit risk (cont'd)**

*Exposure to credit risk*

UP (IPOH)'s exposure to credit risk arises primarily from receivables and advance to penultimate holding company. UP (IPOH) monitors the results of the penultimate holding company regularly.

UP (IPOH)'s maximum exposure to credit risk is presented by their carrying amounts in the statements of financial position.

There was no indication that these amounts are not recoverable. UP (IPOH) regards that the risk are not significant.

**(b) Liquidity Risk**

Liquidity risk is the risk that UP (IPOH) will encounter difficulty in meeting financial obligations when they fall due. UP (IPOH)'s exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

UP (IPOH) actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, UP (IPOH) maintains sufficient levels of cash to meet its working capital requirements.

All of UP (IPOH)'s liabilities at the reporting date mature within a year or are repayable on demand.

**8.5.5.12 Fair Value Measurement**

Financial assets and liabilities

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

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.5 AUDITED FINANCIAL STATEMENTS OF UP (IPOH) (cont'd)****8.5.5 Notes to the Audited Financial Statements of UP (IPOH) (cont'd)****8.5.5.13 Capital Management**

The primary objective of UP (IPOH)'s capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

UP (IPOH) manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, UP (IPOH) may align the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the FYE 2012, FYE 2013 and FYE 2014. There were no changes in UP (IPOH)'s approach to capital management during the financial year.

UP (IPOH) is not subject to any externally imposed capital requirements.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG)**
**8.6.1 Audited Statements of Comprehensive Income of UP (PENANG)**

The audited statements of comprehensive income of UP (PENANG) based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	<b>2012</b> <b>RM</b>	<b>2013</b> <b>RM</b>	<b>2014</b> <b>RM</b>
Revenue	8.6.5.1	10,425,729	633,675	762,283
Cost of sales		<u>(9,106,596)</u>	<u>(23,940)</u>	<u>(112,689)</u>
Gross profit		1,319,133	609,735	649,594
Other income		5,968	1,448	-
Administrative expenses		<u>(678,556)</u>	<u>(544,817)</u>	<u>(620,811)</u>
Distribution expenses		<u>(78,634)</u>	<u>(80,303)</u>	<u>(550)</u>
		<u>(757,190)</u>	<u>(625,120)</u>	<u>(621,361)</u>
<b>Profit/(Loss) from operations</b>		567,911	(13,937)	28,233
Finance cost		<u>(1,296)</u>	<u>(3,705)</u>	-
<b>Profit/(Loss) before tax</b>	8.6.5.2	566,615	(17,642)	28,233
Tax (expense)/credit	8.6.5.3	<u>(147,818)</u>	<u>839</u>	<u>4,694</u>
<b>Profit/(Loss) for the financial year, representing total comprehensive income for the financial year</b>		<u><u>418,797</u></u>	<u><u>(16,803)</u></u>	<u><u>32,927</u></u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)**
**8.6.2 Audited Statements of Financial Position of UP (PENANG)**

The audited statements of financial position of UP (PENANG) based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
<b>Assets</b>				
<b>Non-current asset</b>				
Property, plant and equipment	8.6.5.4	362,427	394,959	335,265
<b>Current assets</b>				
Inventories	8.6.5.5	-	5,155	-
Trade and other receivables	8.6.5.6	3,289,466	2,012,240	3,636,153
Tax assets		139,632	396,220	327,311
Cash and bank balances		1,469,811	1,552,256	123,356
		4,898,909	3,965,871	4,086,820
<b>Total assets</b>		5,261,336	4,360,830	4,422,085
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	8.6.5.7	250,000	250,000	250,000
Retained earnings		4,033,977	4,017,174	4,050,101
<b>Total equity</b>		4,283,977	4,267,174	4,300,101
<b>Liabilities</b>				
<b>Non-current liability</b>				
Deferred tax liabilities	8.6.5.8	47,000	44,000	29,500
<b>Current liability</b>				
Trade and other payables	8.6.5.9	930,359	49,656	92,484
<b>Total liabilities</b>		977,359	93,656	121,984
<b>Total equity and liabilities</b>		5,261,336	4,360,830	4,422,085



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)****8.6.3 Audited Statements of Changes in Equity of UP (PENANG)**

The audited statements of changes in equity of UP (PENANG) based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>Share Capital RM</b>	<b>Distributable Retained Earnings RM</b>	<b>Total Equity RM</b>
<b>At 1 January 2012</b>	250,000	3,615,180	3,865,180
Profit for the financial year, representing total comprehensive income for the financial year	-	418,797	418,797
<b>At 31 December 2012/ 1 January 2013</b>	250,000	4,033,977	4,283,977
Loss for the financial year, representing total comprehensive income for the financial year	-	(16,803)	(16,803)
<b>At 31 December 2013/ 1 January 2014</b>	250,000	4,017,174	4,267,174
Profit for the financial year, representing total comprehensive income for the financial year	-	32,927	32,927
<b>At 31 December 2014</b>	250,000	4,050,101	4,300,101

**8.6.4 Statements of Cash Flows of UP (PENANG)**

The audited statements of cash flows of UP (PENANG) based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>2012 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>
<b>Cash flows from Operating Activities</b>			
Profit/(Loss) before tax	566,615	(17,642)	28,233
Adjustments for:			
Depreciation of property, plant and equipment	41,394	50,326	59,694
Impairment loss/(Reversal of impairment) on trade receivables	-	35,609	(5,554)
Interest expenses	1,296	3,705	-
Operating profit before working capital changes, balance carried down	609,305	71,998	82,373

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)**
**8.6.4 Statements of Cash Flows of UP (PENANG) (cont'd)**

	2012	2013	2014
	RM	RM	RM
<b>Cash flows from Operating Activities</b>			
Balance brought down	609,305	71,998	82,373
<b>Changes in working capital:</b>			
Inventories	2,051,258	(5,155)	5,155
Trade and other receivables	(986,208)	1,277,226	(1,618,359)
Trade and other payables	(1,613,034)	(880,703)	42,828
Cash generated from/(used in) operations	61,321	463,366	(1,488,003)
Interest paid	(1,296)	(3,705)	-
Tax refund	(227,567)	(258,749)	-
Tax paid	-	-	59,103
Net cash generated from/(used in) operating activities	(167,542)	165,303	(1,428,900)
<b>Cash flows from Investing Activity</b>			
Purchase of property, plant and equipment, representing net cash used in investing activity	(95,591)	(82,858)	-
<b>Net (decrease)/increase in cash and cash equivalents</b>	(263,133)	82,445	(1,428,900)
Cash and cash equivalents at beginning of the financial year	1,732,944	1,469,811	1,552,256
<b>Cash and cash equivalents at end of the financial year</b>	<u>1,469,811</u>	<u>1,552,256</u>	<u>123,356</u>

**8.6.5 Notes to the Audited Financial Statements of UP (PENANG)**
**8.6.5.1 Revenue**

UP (PENANG)'s current revenue represents services rendered as a distributor of RM762,283 (2013: RM633,675; 2012: RMnil) while prior years revenue represented the invoiced value of goods sold less returns and discounts allowed.

During the financial year ended 2013, UP (PENANG) ceased its principal activity of sale of pharmaceutical products and acts as a distributor of pharmaceutical products of its immediate holding company, CCMP. The change of principal activity resulted in the decline in revenue for FYE 2013.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)**
**8.6.6 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)**
**8.6.5.2 Profit/(Loss) Before Tax**

Profit/(Loss) before tax is arrived at after charging/(crediting):-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration	8,000	10,000	10,000
Depreciation of property, plant and equipment	41,394	50,326	59,694
Impairment loss/(Reversal of impairment) on trade receivables	-	35,609	(5,554)
Interest expenses			
- Others	908	865	-
- Related companies	388	2,840	-
Management fees receivable	-	(603,551)	(761,687)
Management fees payable	63,108	-	61,726
Rental of premises	27,000	27,000	37,878
Personnel expenses:-			
- salaries, wages and others	229,560	157,151	186,273
- contribution to EPF	30,834	19,998	22,357
	<u>          </u>	<u>          </u>	<u>          </u>

**8.6.5.3 Tax Expense/(Credit)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Income tax expense</b>			
- Current year	135,368	8,193	18,000
- Under/(Over) provision in prior year	4,450	(6,032)	(8,194)
	139,818	2,161	9,806
<b>Deferred tax expense</b>			
- Origination/(Reversal) of temporary differences	7,000	(11,000)	(7,500)
- (Over)/Under provision in prior year	1,000	8,000	(7,000)
	8,000	(3,000)	(14,500)
Tax expense/(credit)	<u>147,818</u>	<u>(839)</u>	<u>(4,694)</u>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)**
**8.6.5 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)**
**8.6.5.3 Tax Expense/(Credit) (cont'd)**

The reconciliation from the tax amount at the statutory income tax rate to UP (PENANG)'s tax expense is as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit/(loss) before tax	<u>566,615</u>	<u>(17,642)</u>	<u>28,233</u>
Tax at the Malaysian statutory income tax rate of 25%	141,653	(4,411)	7,058
Tax effect of non-deductible expenses	715	1,604	3,442
Under/(Over) provision in prior year:			
- Income tax	4,450	(6,032)	(8,194)
- Deferred tax	<u>1,000</u>	<u>8,000</u>	<u>(7,000)</u>
Tax expense/(credit)	<u>147,818</u>	<u>(839)</u>	<u>(4,694)</u>

UP (PENANG) has estimated unutilised tax losses of RM18,760 (2013: RM18,760; 2012: RM Nil) carried forward, available for set-off against future taxable profits.

**8.6.5.4 Property, Plant and Equipment**

	<b>Motor vehicles</b>	<b>Furniture, fixtures and fittings and office equipment</b>	<b>Renovation</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2012</b>				
<b>Cost</b>				
At 1 January 2012	84,397	196,669	246,468	527,534
Addition	-	95,591	-	95,591
At 31 December 2012	<u>84,397</u>	<u>292,260</u>	<u>246,468</u>	<u>623,125</u>
<b>Accumulated Depreciation</b>				
At 1 January 2012	60,137	115,189	43,978	219,304
Charge for the financial year	1,801	15,994	23,599	41,394
At 31 December 2012	<u>61,938</u>	<u>131,183</u>	<u>67,577</u>	<u>260,698</u>
<b>Net Carrying Amount</b>				
At 31 December 2012	<u>22,459</u>	<u>161,077</u>	<u>178,891</u>	<u>362,427</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)****8.6.5 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)****8.6.5.4 Property, Plant and Equipment (cont'd)**

	<b>Motor vehicles RM</b>	<b>Furniture, fixtures and fittings and office equipment RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b>2013</b>				
<b>Cost</b>				
At 1 January 2013	84,397	292,260	246,468	623,125
Additions	82,070	788	-	82,858
At 31 December 2013	166,467	293,048	246,468	705,983
<b>Accumulated Depreciation</b>				
At 1 January 2013	61,938	131,183	67,577	260,698
Charge for the financial year	7,272	19,464	23,590	50,326
At 31 December 2013	69,210	150,647	91,167	311,024
<b>Net Carrying Amount</b>				
At 31 December 2013	97,257	142,401	155,301	394,959
<b>2014</b>				
<b>Cost</b>				
At 1 January/ 31 December 2014	166,467	293,048	246,468	705,983
<b>Accumulated Depreciation</b>				
At 1 January 2014	69,210	150,647	91,167	311,024
Charge for the financial year	18,214	17,890	23,590	59,694
At 31 December 2014	87,424	168,537	114,757	370,718
<b>Net Carrying Amount</b>				
At 31 December 2014	79,043	124,511	131,711	335,265

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)**
**8.6.5 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)**
**8.6.5.5 Inventories**

	2012 RM	2013 RM	2014 RM
<b>At cost,</b>			
Finished goods	-	5,155	-
Recognised in profit or loss:			
Inventories recognised as cost of sales	9,103,795	22,462	-

**8.6.5.6 Trade and Other Receivables**

	2012 RM	2013 RM	2014 RM
<b>Trade</b>			
Third parties	3,298,846	61,729	-
Immediate holding company	-	991,772	817,862
	3,298,846	1,053,501	817,862
Less: Allowance for impairment	(26,120)	(61,729)	(56,175)
	3,272,726	991,772	761,687
<b>Non-trade</b>			
Amount due from immediate holding company	-	1,000,000	2,860,166
Amount due from related company	4,040	-	-
Other receivables	-	7,768	-
Deposits	12,700	12,700	14,300
	16,740	1,020,468	2,874,466
	3,289,466	2,012,240	3,636,153

The movements in allowance for impairment on trade receivables are individually impaired as follows:

	2012 RM	2013 RM	2014 RM
At the beginning of financial year	26,120	26,120	61,729
Addition/(Reversal)	-	35,609	(5,554)
At the end of financial year	26,120	61,729	56,175

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)**
**8.6.5 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)**
**8.6.5.6 Trade and Other Receivables (cont'd)**

The trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

The non-trade amounts due from immediate holding and related company are unsecured, interest free and repayable on demand.

UP (PENANG)'s normal trade credit term is 120 days (2013: 120 days; 2012: 120 days).

	2012 RM	2013 RM	2014 RM
Neither past due nor impaired	2,787,282	991,772	761,687
1 to 30 days past due not impaired	325,388	-	-
31 to 120 days past due not impaired	106,255	-	-
More than 120 days past due not impaired	53,801	-	-
	485,444	-	-
Impaired	26,120	61,729	56,175
	<u>3,298,846</u>	<u>1,053,501</u>	<u>817,862</u>

Receivables that are past due but not impaired

UP (PENANG) has trade receivables amounting to RM Nil (2013: RM Nil; 2012: RM485,444) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable.

No impairment loss on trade receivables has been made as, in the opinion of the management, the debts would be collected in full within the next twelve months.

**8.6.5.7 Share Capital**

	Number of ordinary shares of RM1 each		
	2012	2013	2014
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)**
**8.6.5 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)**
**8.6.5.7 Share Capital (cont'd)**

	<b>Amount</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by UP (PENANG). All ordinary shares carry one vote per share without restrictions and rank equally with regard to UP (PENANG)'s residual assets.

**8.6.5.8 Deferred Tax Liabilities**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
At beginning of financial year	39,000	47,000	44,000
Recognised in profit or loss	<u>8,000</u>	<u>(3,000)</u>	<u>(14,500)</u>
At end of financial year	<u>47,000</u>	<u>44,000</u>	<u>29,500</u>

This is in respect of estimated deferred tax liabilities arising from temporary differences as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Differences between the carrying amount of property, plant and equipment and its tax base	<u>47,000</u>	<u>44,000</u>	<u>29,500</u>



**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)**
**8.6.5 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)**
**8.6.5.9 Trade and Other Payables**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade</b>			
Immediate holding company	710,805	-	-
Third parties	1,017	417	417
	711,822	417	417
<b>Non-trade</b>			
Ultimate holding company	176,815	25,915	49,303
Other payables	3,000	50	50
Accruals	38,722	23,274	42,714
	218,537	49,239	92,067
	<u>930,359</u>	<u>49,656</u>	<u>92,484</u>

The trade amounts are subject to 30 to 90 days (2013: 30 to 90 days; 2012: 30 to 90 days) credit terms.

The non-trade amount due to ultimate holding company is unsecured, interest free and repayable on demand.

**8.6.5.10 Related Party Disclosures**
**(i) Identifying related parties**

For the purpose of these financial statements, parties are considered to be related to UP (PENANG) if UP (PENANG) 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 UP (PENANG) and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

UP (PENANG) has related party relationship with its ultimate and immediate holding companies and related company.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)****8.6.5 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)****8.6.5.10 Related Party Disclosures (cont'd)****(ii) Related party transactions**

The transactions with related parties of UP (PENANG) are as follows:

	2012	2013	2014
	RM	RM	RM
<b>Transaction with ultimate holding company:</b>			
Management fee	63,108	-	61,726
<b>Transaction with immediate holding company:</b>			
Shared costs	30,000	30,000	30,000
Purchases	7,039,688	-	-
Management fee	-	(603,551)	(761,687)
<b>Transaction with related company:</b>			
Sales	(757)	-	-
Purchases	8,019	-	-

The balances related to the transactions are shown in Note 8.6.5.6 and Note 8.6.5.9.

**8.6.5.11 Financial Instruments****(i) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 7.0 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)****8.6.5 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)****8.6.5.11 Financial Instruments (cont'd)****(i) Classification of financial instruments (cont'd)**

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2012</b>			
<b>Financial Assets</b>			
Trade and other receivables	3,289,466	-	3,289,466
Cash and bank balances	1,469,811	-	1,469,811
Total financial assets	4,759,277	-	4,759,277
<b>Financial Liability</b>			
Trade and other payables	-	930,359	930,359
<b>2013</b>			
<b>Financial Assets</b>			
Trade and other receivables	2,012,240	-	2,012,240
Cash and bank balances	1,552,256	-	1,552,256
Total financial assets	3,564,496	-	3,564,496
<b>Financial Liability</b>			
Trade and other payables	-	49,656	49,656
<b>2014</b>			
<b>Financial Assets</b>			
Trade and other receivables	3,636,153	-	3,636,153
Cash and bank balances	123,356	-	123,356
Total financial assets	3,759,509	-	3,759,509
<b>Financial Liability</b>			
Trade and other payables	-	92,484	92,484

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)****8.6.5 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)****8.6.5.11 Financial Instruments (cont'd)****(ii) Financial risk management objectives and policies**

UP (PENANG)'s financial risk management policy is to ensure that adequate financial resources are available for the development of UP (PENANG)'s operations whilst managing its financial risk, including credit risk and liquidity risk.

The following sections provide details regarding UP (PENANG)'s exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) Credit risk****Receivables**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. UP (PENANG)'s exposure to credit risk arises principally from the inability of its customers to make payments when due. Bank balances are placed with credit worthy financial institutions.

***Exposure to credit risk***

UP (PENANG)'s exposure to credit risk arises primarily from receivables and advance to immediate holding company. UP (PENANG) monitors the results of the immediate holding company regularly.

UP (PENANG)'s maximum exposure to credit risk is presented by their carrying amounts in the statements of financial position.

There was no indication that these amounts are not recoverable. UP (PENANG) regards that the risk are not significant.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)****8.6.5 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)****8.6.5.11 Financial Instruments (cont'd)****(ii) Financial risk management objectives and policies (cont'd)****(a) Credit risk (cont'd)**

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 UP (PENANG). UP (PENANG) uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

**(b) Liquidity Risk**

Liquidity risk is the risk that UP (PENANG) will encounter difficulty in meeting financial obligations when they fall due. UP (PENANG)'s exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

UP (PENANG) actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, UP (PENANG) maintains sufficient levels of cash to meet its working capital requirements.

All of UP (PENANG)'s liabilities at the reporting date mature within a year or are repayable on demand.

**8.6.5.12 Fair Value Measurement****Financial assets and liabilities**

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

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.6 AUDITED FINANCIAL STATEMENTS OF UP (PENANG) (cont'd)****8.6.5 Notes to the Audited Financial Statements of UP (PENANG) (cont'd)****8.6.5.13 Capital Management**

The primary objective of UP (PENANG)'s capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

UP (PENANG) manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, UP (PENANG) may align the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the FYE 2012, FYE 2013 and FYE 2014. There were no changes in UP (PENANG)'s approach to capital management during the financial year.

UP (PENANG) is not subject to any externally imposed capital requirements.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.7 AUDITED FINANCIAL STATEMENTS OF NPSB****8.7.1 Audited Statements of Comprehensive Income of NPSB**

The audited statements of comprehensive income of NPSB based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
Other income		1,218	-	-
Administrative expenses		<u>(31,964)</u>	<u>(2,370)</u>	<u>(4,771)</u>
<b>Loss from operations</b>		<b>(30,746)</b>	<b>(2,370)</b>	<b>(4,771)</b>
Finance cost		<u>(2,321)</u>	<u>(3,154)</u>	-
<b>Loss before tax</b>	8.7.5.1	<b>(33,067)</b>	<b>(5,524)</b>	<b>(4,771)</b>
Tax expense	8.7.5.2	<u>-</u>	<u>-</u>	<u>-</u>
<b>Loss for the financial year, representing total comprehensive income for the financial year</b>		<u><u>(33,067)</u></u>	<u><u>(5,524)</u></u>	<u><u>(4,771)</u></u>

**8.7.2 Audited Statements of Financial Position of NPSB**

The audited statements of financial position of NPSB based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
<b>Asset</b>				
<b>Current asset</b>				
Bank balances, representing total asset		<u>1,731</u>	<u>1,711</u>	<u>1,671</u>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital	8.7.5.3	91,500	91,500	91,500
Accumulated losses		<u>(343,851)</u>	<u>(349,375)</u>	<u>(354,146)</u>
<b>Total equity</b>		<b>(252,351)</b>	<b>(257,875)</b>	<b>(262,646)</b>
<b>Liability</b>				
<b>Current liability</b>				
Trade and other payables, representing total liability	8.7.5.4	<u>254,082</u>	<u>259,586</u>	<u>264,317</u>
<b>Total equity and liabilities</b>		<u><u>1,731</u></u>	<u><u>1,711</u></u>	<u><u>1,671</u></u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.7 AUDITED FINANCIAL STATEMENTS OF NPSB (cont'd)****8.7.3 Audited Statements of Changes in Equity of NPSB**

The audited statements of changes in equity of NPSB based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>Share Capital RM</b>	<b>Accummulated Losses RM</b>	<b>Total Equity RM</b>
<b>At 1 January 2012</b>	91,500	(310,784)	(219,284)
Loss for the financial year, representing total comprehensive income for the financial year	-	(33,067)	(33,067)
<b>At 31 December 2012/ 1 January 2013</b>	91,500	(343,851)	(252,351)
Loss for the financial year, representing total comprehensive income for the financial year	-	(5,524)	(5,524)
<b>At 31 December 2013/ 1 January 2014</b>	91,500	(349,375)	(257,875)
Loss for the financial year, representing total comprehensive income for the financial year	-	(4,771)	(4,771)
<b>At 31 December 2014</b>	91,500	(354,146)	(262,646)



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.7 AUDITED FINANCIAL STATEMENTS OF NPSB (cont'd)****8.7.4 Statements of Cash Flows of NPSB**

The audited statements of cash flows of NPSB based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	2012	2013	2014
	RM	RM	RM
<b>Cash flows from Operating Activities</b>			
Loss before tax	(33,067)	(5,524)	(4,771)
Adjustment for:			
Interest expense	2,321	3,154	-
Operating loss before working capital changes	(30,746)	(2,370)	(4,771)
<b>Changes in working capital:</b>			
Changes in trade and other payables	34,205	5,504	4,731
Cash used in operations	3,459	3,134	(40)
Interest paid	(2,321)	(3,154)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,138	(20)	(40)
Cash and cash equivalents at beginning of the financial year	593	1,731	1,711
<b>Cash and cash equivalents at end of the financial year</b>	<u>1,731</u>	<u>1,711</u>	<u>1,671</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.7 AUDITED FINANCIAL STATEMENTS OF NPSB (cont'd)****8.7.5 Notes to the Audited Financial Statements of NPSB (cont'd)****8.7.5.1 Loss Before Tax**

Loss before tax is arrived at after charging/(crediting):-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration	1,500	1,500	1,500
Management fees	29,780	92	2,251
Interest expenses			
- Intermediate holding company	<u>2,321</u>	<u>3,154</u>	<u>-</u>

**8.7.5.2 Tax Expense**

There is no tax expense in the FYE 2012, FYE 2013 and FYE 2014 as NPSB is in tax loss position.

The reconciliation from the tax amount at the statutory income tax rate to NPSB's tax expense is as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Loss before tax	<u>(33,067)</u>	<u>(5,524)</u>	<u>(4,771)</u>
Tax at the Malaysian statutory income tax rate of 25%	(8,267)	(1,381)	(1,193)
Tax effect of non-deductible expenses	8,267	375	375
Deferred tax assets not recognised	<u>-</u>	<u>1,006</u>	<u>818</u>
Tax expense	<u>-</u>	<u>-</u>	<u>-</u>

NPSB has estimated unutilised tax losses of RM288,646 (2013: RM285,735; 2012: RM229,725) carried forward, available for set-off against future taxable profits.

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.7 AUDITED FINANCIAL STATEMENTS OF NPSB (cont'd)**

**8.7.5 Notes to the Audited Financial Statements of NPSB (cont'd)**

**8.7.5.3 Share Capital**

	Number of ordinary shares of RM1 each		
	2012	2013	2014
<b>Authorised:</b>			
At the beginning/end of the financial year	100,000	100,000	100,000
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	91,500	91,500	91,500
	Amount		
	2012	2013	2014
	RM	RM	RM
<b>Authorised:</b>			
At the beginning/end of the financial year	100,000	100,000	100,000
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	91,500	91,500	91,500

The holders of ordinary shares are entitled to receive dividends as and when declared by NPSB. All ordinary shares carry one vote per share without restrictions and rank equally with regard to NPSB's residual assets.

**8.7.5.4 Trade and Other Payables**

	2012	2013	2014
	RM	RM	RM
<b>Trade</b>			
Third parties	36,707	36,707	36,707
<b>Non-trade</b>			
Amount due to intermediate holding company	86,749	90,182	92,433
Amount due to immediate holding company	129,126	131,197	133,677
Accruals	1,500	1,500	1,500
	217,375	222,879	227,610
	254,082	259,586	264,317

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.7 AUDITED FINANCIAL STATEMENTS OF NPSB (cont'd)****8.7.5 Notes to the Audited Financial Statements of NPSB (cont'd)****8.7.5.4 Trade and Other Payables (cont'd)**

The amount due to immediate holding company is unsecured, interest free and repayable on demand.

The amount due to intermediate holding company is unsecured, interest free (2013: interest bearing at 3.83% per annum - 3.85%; 2012: 3.99% per annum) and repayable on demand.

**8.7.5.5 Deferred Taxation**

The estimated temporary difference for which no deferred tax asset is recognised in the financial statements is as follows:-

	2012	2013	2014
	RM	RM	RM
Unutilised tax losses	281,351	285,375	288,646

Deferred tax asset has not been recognised in respect of this item because it is not probable that future taxable profit will be available against which NPSB can utilise the benefits therefrom.

**8.7.5.6 Related Party Disclosures****(i) Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to NPSB if NPSB 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 NPSB and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

NPSB has related party relationship with its immediate and intermediate holding companies.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of NPSB either directly or indirectly. The key management personnel include all the Directors of NPSB and certain members of senior management of NPSB.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.7 AUDITED FINANCIAL STATEMENTS OF NPSB**
**8.7.5 Notes to the Audited Financial Statements of NPSB**
**8.7.5.6 Related Party Disclosures (cont'd)**
**(ii) Related party transactions**

The transaction with related parties of NPSB are as follows:-

	2012	2013	2014
	RM	RM	RM
<b>Transaction with intermediate holding company:</b>			
Interest expense	2,321	3,154	-
Management fees	29,780	92	2,251
	29,780	92	2,251

The balances related to the transactions are shown in Note 8.7.5.4.

**8.7.5.7 Financial Instruments**
**(i) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 7.0 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Loans and receivables	Financial liabilities at amortised cost	Total
	RM	RM	RM
<b>2012</b>			
<b>Financial asset</b>			
Bank balances	1,731	-	1,731
	1,731	-	1,731
<b>Financial Liability</b>			
Trade and other payables	-	254,082	254,082
	-	254,082	254,082

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.7 AUDITED FINANCIAL STATEMENTS OF NPSB (cont'd)****8.7.5 Notes to the Audited Financial Statements of NPSB (cont'd)****8.7.5.7 Financial Instruments (cont'd)****(i) Classification of financial instruments (cont'd)**

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2013</b>			
<b>Financial asset</b>			
Bank balances	<u>1,711</u>	<u>-</u>	<u>1,711</u>
<b>Financial Liability</b>			
Trade and other payables	<u>-</u>	<u>259,586</u>	<u>259,586</u>
<b>2014</b>			
<b>Financial asset</b>			
Bank balances	<u>1,671</u>	<u>-</u>	<u>1,671</u>
<b>Financial Liability</b>			
Trade and other payables	<u>-</u>	<u>264,317</u>	<u>264,317</u>

**(ii) Financial risk management objectives and policies**

NPSB's financial risk management policy is to ensure that adequate financial resources are available for the development of NPSB's operations whilst managing its financial risk, including credit risk and liquidity risk.

The following sections provide details regarding NPSB's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.7 AUDITED FINANCIAL STATEMENTS OF NPSB (cont'd)**

**8.7.5 Notes to the Audited Financial Statements of NPSB (cont'd)**

**8.7.5.7 Financial Instruments (cont'd)**

**(ii) Financial risk management objectives and policies**

**(a) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

*Exposure to credit risk*

NPSB's exposure to credit risk arises primarily from bank balances.

At the reporting date, NPSB's maximum exposure to credit risk is presented by their carrying amounts in the statements of financial position.

As at the end of the reporting period, there was no indication that the bank balances are not recoverable. NPSB regards that the risk is not significant.

**(b) Liquidity Risk**

Liquidity risk is the risk that NPSB will encounter difficulty in meeting financial obligations when they fall due. NPSB's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

NPSB actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, NPSB maintains sufficient levels of cash to meet its working capital requirements.

NPSB is dependent on the financial support from its immediate holding company to meet its financial obligations as and when they fall due. All of NPSB's liabilities at the reporting date mature within a year or are repayable on demand.

**8.7.5.8 Fair Value Measurement**

Financial assets and liabilities

The carrying amounts of short term payables and cash and cash equivalents approximate their fair values due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.7 AUDITED FINANCIAL STATEMENTS OF NPSB****8.7.5 Notes to the Audited Financial Statements of NPSB****8.7.5.9 Capital Managements**

The primary objective of NPSB's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

NPSB manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, NPSB may align the dividend payment to shareholders, return capital to shareholders or issue new shares. NPSB relies on the financial support from its immediate holding company to make repayment as and when they fall due. No changes were made in the objectives, policies and processes during the FYE 2012, FYE 2013 and FYE 2014. There were no changes in NPSB's approach to capital management during the financial year.

NPSB is not subject to any externally imposed capital requirements.



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL**
**8.8.1 Audited Statements of Comprehensive Income of Upha Pharmaceutical**

The audited statements of comprehensive income of Upha Pharmaceutical based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM'000	2013 RM'000	2014 RM'000
Revenue	8.8.5.1	105,968	93,993	109,048
Cost of sales		<u>(91,659)</u>	<u>(82,008)</u>	<u>(92,959)</u>
Gross profit		14,309	11,985	16,089
Other income		46	194	256
Administrative expenses		<u>(10,415)</u>	<u>(11,220)</u>	<u>(11,400)</u>
Other expenses		<u>(685)</u>	<u>(615)</u>	<u>(646)</u>
		<u>(11,100)</u>	<u>(11,835)</u>	<u>(12,046)</u>
<b>Profit from operations</b>		3,255	344	4,299
Interest expense		<u>(3,758)</u>	<u>(3,433)</u>	<u>(1,773)</u>
<b>(Loss)/Profit before tax</b>	8.8.5.2	<u>(503)</u>	<u>(3,089)</u>	2,526
Tax credit	8.8.5.3	<u>5,198</u>	<u>1,465</u>	<u>2,512</u>
<b>Profit/(Loss) for the financial year, representing total comprehensive income for the financial year</b>		<u><u>4,695</u></u>	<u><u>(1,624)</u></u>	<u><u>5,038</u></u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)****8.8.2 Audited Statements of Financial Position of Upha Pharmaceutical**

The audited statements of financial position of Upha Pharmaceutical based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM'000	2013 RM'000	2014 RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8.8.5.4	98,909	93,028	93,432
Deferred tax assets	8.8.5.8	-	-	1,552
		98,909	93,028	94,984
<b>Current assets</b>				
Inventories	8.8.5.5	17,429	18,471	14,949
Tax assets		302	204	249
Trade and other receivables	8.8.5.6	97,756	103,757	113,375
Cash and bank balances		4,814	8,328	4,809
		120,301	130,760	133,382
<b>Total assets</b>		<b>219,210</b>	<b>223,788</b>	<b>228,366</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	8.8.5.7	15,000	30,000	30,000
Retained earnings		36,817	33,584	38,622
<b>Total equity</b>		<b>51,817</b>	<b>63,584</b>	<b>68,622</b>
<b>Liabilities</b>				
<b>Non-current liability</b>				
Deferred tax liabilities	8.8.5.8	2,425	960	-
<b>Current liability</b>				
Loans and borrowings	8.8.5.9	-	-	9,554
Trade and other payables	8.8.5.10	164,968	159,244	150,190
<b>Total liabilities</b>		<b>167,393</b>	<b>160,204</b>	<b>159,744</b>
<b>Total equity and liabilities</b>		<b>219,210</b>	<b>223,788</b>	<b>228,366</b>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)****8.8.3 Audited Statements of Changes in Equity of Upha Pharmaceutical**

The audited statements of changes in equity of Upha Pharmaceutical based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	Share Capital RM'000	Retained Earnings RM'000	Total Equity RM'000
<b>At 1 January 2012</b>		15,000	32,122	47,122
<b>Comprehensive income</b>				
Profit for the financial year, representing total comprehensive income for the financial year		-	4,695	4,695
<b>At 31 December 2012/ 1 January 2013</b>		15,000	36,817	51,817
Issue of ordinary shares	8.8.5.7	15,000	-	15,000
<b>Comprehensive income</b>				
Loss for the financial year, representing total comprehensive income for the financial year		-	(1,624)	(1,624)
<b>Transaction with owner</b>				
Dividend paid to owner of the Company, representing total transaction with owner	8.8.5.11	-	(1,609)	(1,609)
<b>At 31 December 2013/ 1 January 2014</b>		30,000	33,584	63,584
Profit for the financial year, representing total comprehensive income for the financial year		-	5,038	5,038
<b>At 31 December 2014</b>		30,000	38,622	68,622

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)****8.8.4 Statements of Cash Flows of Upha Pharmaceutical**

The audited statements of cash flows of Upha Pharmaceutical based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	2012 RM'000	2013 RM'000	2014 RM'000
<b>Cash Flows from Operating Activities</b>			
(Loss)/Profit before tax	(503)	(3,089)	2,526
Adjustments for:			
Depreciation of property, plant and equipment	7,936	8,435	8,328
Interest expense	3,758	3,433	1,773
Unrealised foreign exchange loss	-	-	129
Written down/(Reversal) of inventories	693	-	(207)
Loss on disposal of property, plant and equipment	1	4	-
Operating profit before working capital changes	11,885	8,783	12,549
<b>Changes in working capital:</b>			
Inventories	11,550	(1,042)	3,729
Trade and other receivables	(14,899)	(6,001)	(9,618)
Trade and other payables	1,763	(5,724)	(9,183)
Cash generated from/(used in) operating activities	10,299	(3,984)	(2,523)
Interest paid	(3,758)	(3,433)	(1,773)
Tax paid	(151)	(129)	(45)
Tax refund	859	227	-
Net cash generated from/ (used in) operating activities	7,249	(7,319)	(4,341)
<b>Cash Flows from Investing Activity</b>			
Purchase of property, plant and equipment, representing net cash used in investing activity	(2,677)	(2,558)	(8,732)
Balance carried down	4,572	(9,877)	(13,073)

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)****8.8.4 Statements of Cash Flows of Upha Pharmaceutical (cont'd)**

	2012	2013	2014
	RM'000	RM'000	RM'000
Balance brought down	4,572	(9,877)	(13,073)
<b>Cash flows from Financing Activities</b>			
Dividend paid to owner of the Company	-	(1,609)	-
Proceeds from issuance of ordinary shares	-	15,000	-
Proceeds from loans and borrowings	-	-	9,554
Net cash generated from financing activities	-	13,391	9,554
<b>Net increase/(decrease) in cash and cash equivalents</b>	4,572	3,514	(3,519)
Cash and cash equivalents at beginning of the financial year	242	4,814	8,328
<b>Cash and cash equivalents at end of the financial year</b>	<u>4,814</u>	<u>8,328</u>	<u>4,809</u>

**8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical****8.8.5.1 Revenue**

This represents sales of goods manufactured.

**8.8.5.2 (Loss)/Profit Before Tax**

(Loss)/Profit before tax is arrived at after charging:-

	2012	2013	2014
	RM'000	RM'000	RM'000
Auditors' remuneration:			
- Statutory audit	22	23	23
- Other services	30	4	-
- Underprovision in prior year	3	-	-
Depreciation of property, plant and equipment	7,936	8,435	8,328
Immediate holding company management fees	723	1,379	2,248
Interest expense of financial liabilities that are not at fair value through profit or loss:			
- Amount due to immediate holding company	3,540	3,247	1,585
- Amounts due to related companies	192	186	-
- Bank overdraft	-	-	188
- Others	26	-	-
Inventories written down	<u>693</u>	<u>-</u>	<u>-</u>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)**

**8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)**

**8.8.5.2 (Loss)/Profit Before Tax (cont'd)**

	2012 RM'000	2013 RM'000	2014 RM'000
Loss on disposal of property, plant and equipment	1	4	-
Personnel expenses (including key management personnel):			
- Contribution to EPF	1,535	1,515	1,866
- Wages, salaries and others	15,032	16,423	18,690
Realised foreign exchange loss	130	12	-
Rental expenses on property	512	683	795
Research and development costs expensed as incurred	5,478	4,789	4,899
Unrealised foreign exchange loss	-	-	129
<b>and after crediting:</b>			
Realised foreign exchange gain	7	28	43
Rental income from properties subleases	180	180	180
Reversal of write-down	-	-	207
Unrealised foreign exchange gain	3	10	-

**8.8.5.3 Tax Credit**

	2012 RM'000	2013 RM'000	2014 RM'000
Deferred tax expenses:			
- Reversal of temporary differences	(1,170)	(1,468)	(343)
- Under/(Over) provision in prior year	284	3	(2,169)
- Recognition of previously unrecognised unutilised reinvestment allowance	(4,312)	-	-
Tax credit	(5,198)	(1,465)	(2,512)

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

- 8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
- 8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)**
- 8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)**
- 8.8.5.3 Tax Expense (cont'd)**

The reconciliation from the tax amount at the statutory income tax rate to Upha Pharmaceutical's tax expense is as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(Loss)/Profit before tax	<u>(503)</u>	<u>(3,089)</u>	<u>2,526</u>
Tax at the Malaysian statutory income tax rate of 25%	(126)	(772)	632
Tax effect of non-deductible expenses	325	289	250
Tax incentives	(1,369)	(985)	(1,225)
Recognition of previously unrecognised unutilised reinvestment allowance	(4,312)	-	-
Under/(Over) provision of deferred tax expense	<u>284</u>	<u>3</u>	<u>(2,169)</u>
Tax credit	<u>(5,198)</u>	<u>(1,465)</u>	<u>(2,512)</u>

Upha Pharmaceutical has estimated unabsorbed capital allowances of RM26,548,000 (2013: RM25,160,000 and 2012: RM20,816,000) carried forward, available for set-off against future taxable profits.

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividend will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to the locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

Upha Pharmaceutical has tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income account to pay franked dividend of approximately RM Nil and RM4,273,240 (2013: RM Nil and RM 4,273,240; 2012: RM537,098 and RM4,273,240), respectively.

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)

8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)

8.8.5.4 Property, Plant and Equipment (cont'd)

	Leasehold land	Buildings	Plant, machinery and equipment	Motor vehicles	Property under construction	Total
	← At valuation → RM'000	RM'000	← At cost → RM'000	At cost RM'000	RM'000	RM'000
<b>2012</b>						
<b>Cost</b>						
At 1 January 2012	9,000	54,500	89,645	166	1,898	155,209
Additions	-	-	1,428	-	1,249	2,677
Reclassification	-	684	2,463	-	(3,147)	-
Disposal	-	-	(2)	-	-	(2)
Written off	-	-	(33)	-	-	(33)
At 31 December 2012	9,000	55,184	93,501	166	-	157,851
<b>Accumulated Depreciation</b>						
At 1 January 2012	94	1,090	49,762	94	-	51,040
Charge for the financial year	102	1,104	6,695	35	-	7,936
Disposal	-	-	(1)	-	-	(1)
Written off	-	-	(33)	-	-	(33)
At 31 December 2012	196	2,194	56,423	129	-	58,942
<b>Net Carrying Amount</b>						
At 31 December 2012	8,804	52,990	37,078	37	-	98,909



ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)

8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)

8.8.5.4 Property, Plant and Equipment (cont'd)

	Leasehold land		Plant, machinery and equipment	Motor vehicles	Total
	Buildings				
	At valuation	At cost	At cost	At cost	
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2013</b>					
<b>Cost</b>					
At 1 January 2013	9,000	55,184	93,501	166	157,851
Additions	-	-	2,558	-	2,558
Disposal	-	-	(1,161)	-	(1,161)
Written off	-	-	(28)	-	(28)
At 31 December 2013	9,000	55,184	94,870	166	159,220
<b>Accumulated Depreciation</b>					
At 1 January 2013	196	2,194	56,423	129	58,942
Charge for the financial year	102	1,460	6,836	37	8,435
Disposal	-	-	(1,157)	-	(1,157)
Written off	-	-	(28)	-	(28)
At 31 December 2013	298	3,654	62,074	166	66,192
<b>Net Carrying Amount</b>					
At 31 December 2013	8,702	51,530	32,796	-	93,028

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)

8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)

8.8.5.4 Property, Plant and Equipment (cont'd)

	Leasehold land	Buildings	Plant, machinery and equipment	Motor vehicles	Total
	← At valuation →		← At cost →		
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2014</b>					
<b>Cost</b>					
At 1 January 2014	9,000	55,184	94,870	166	159,220
Additions	-	-	8,732	-	8,732
At 31 December 2014	9,000	55,184	103,602	166	167,952
<b>Accumulated Depreciation</b>					
At 1 January 2014	298	3,654	62,074	166	66,192
Charge for the financial year	102	1,262	6,964	-	8,328
At 31 December 2014	400	4,916	69,038	166	74,520
<b>Net Carrying Amount</b>					
At 31 December 2014	8,600	50,268	34,564	-	93,432

The long term leasehold land of Upha Pharmaceutical has an unexpired lease period of more than 50 years (2013: more than 50 years; 2012: more than 50 years).

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)**
**8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)**
**8.8.5.5 Inventories**

	2012	2013	2014
	RM'000	RM'000	RM'000
<b>At cost,</b>			
Raw materials and consumables	10,588	9,681	8,284
Packing materials	4,763	5,401	4,584
Work-in-progress	2,078	3,389	2,081
	<u>17,429</u>	<u>18,471</u>	<u>14,949</u>
<b>Recognised in profit or loss:</b>			
Inventories recognised as cost of sales	91,659	82,008	93,166
Inventories written down	693	-	(207)

**8.8.5.6 Trade and Other Receivables**

	2012	2013	2014
	RM'000	RM'000	RM'000
<b>Trade</b>			
Related company	96,522	101,152	112,593
<b>Non-trade</b>			
Other receivables	16	50	94
Deposits	962	2,460	580
Prepayments	256	95	108
	<u>1,234</u>	<u>2,605</u>	<u>782</u>
	<u>97,756</u>	<u>103,757</u>	<u>113,375</u>

The trade receivable due from related company is subject to the normal trade terms of approximately 30 to 60 days (2013: 30 to 60 days; 2012: 30 to 60 days).

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)**
**8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)**
**8.8.5.6 Trade and Other Receivables (cont'd)**

The aging analysis of Upha Pharmaceutical's trade receivable is as follows:

	2012 RM'000	2013 RM'000	2014 RM'000
Neither past due nor impaired	8,415	35,525	15,984
1 to 30 days past due not impaired	8,081	6,966	9,145
31 to 120 days past due not impaired	26,223	17,136	23,555
121 to 150 days past due not impaired	53,803	41,525	63,909
	<u>88,107</u>	<u>65,627</u>	<u>96,609</u>
	<u>96,522</u>	<u>101,152</u>	<u>112,593</u>

Receivable that are past due but not impaired

Upha Pharmaceutical has trade receivable amounting to RM96,609,000 (2013: RM65,627,000; 2012: RM88,107,000) which are past due but not impaired because there have been no significant changes in credit quality of the debtor and the amounts are still considered recoverable.

No impairment loss on trade receivable has been made as, in the opinion of the management, the debts would be collected in full within the next twelve months.

**8.8.5.7 Share Capital**

	Number of ordinary shares of RM1 each		
	2012 '000	2013 '000	2014 '000
<b>Authorised:</b>			
At the beginning financial year	25,000	25,000	40,000
Created during the financial year	-	15,000	-
At the end of financial year	<u>25,000</u>	<u>40,000</u>	<u>40,000</u>
<b>Issued and fully paid:</b>			
At the beginning financial year	15,000	15,000	30,000
Issued during the financial year	-	15,000	-
At the end of financial year	<u>15,000</u>	<u>30,000</u>	<u>30,000</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)****8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)****8.8.5.7 Share Capital (cont'd)**

	<b>Amount</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised:</b>			
At the beginning financial year	25,000	25,000	40,000
Created during the financial year	-	15,000	-
At the end of financial year	<u>25,000</u>	<u>40,000</u>	<u>40,000</u>
<b>Issued and fully paid:</b>			
At the beginning financial year	15,000	15,000	30,000
Issued during the financial year	-	15,000	-
At the end of financial year	<u>15,000</u>	<u>30,000</u>	<u>30,000</u>

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 Upha Pharmaceutical. All shares rank equally with regard to Upha Pharmaceutical's residual assets.

In FYE 2013, Upha Pharmaceutical issued 15,000,000 new ordinary shares of RM1 each through a private placement exercise at an issue price of RM1 per ordinary share for cash, for additional working capital purposes. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of Upha Pharmaceutical.

**8.8.5.8 Deferred Tax Liabilities/(Assets)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At beginning of the year	7,623	2,425	960
Recognised in profit or loss	<u>(5,198)</u>	<u>(1,465)</u>	<u>(2,512)</u>
At end of the year	<u>2,425</u>	<u>960</u>	<u>(1,552)</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)****8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)****8.8.5.8 Deferred Tax Liabilities/(Assets) (cont'd)**

Deferred tax liabilities/(assets) are attributable to the following:

	2012	2013	2014
	RM'000	RM'000	RM'000
Property, plant and equipment	12,448	12,370	10,256
Unabsorbed capital allowances	(5,204)	(6,290)	(6,637)
Unutilised reinvestment allowances	(4,312)	(4,312)	(4,312)
Other deductible temporary difference	(507)	(808)	(859)
	2,425	960	(1,552)

**8.8.5.9 Loans and borrowings**

	2012	2013	2014
	RM'000	RM'000	RM'000
<b>Current</b>			
Bankers' acceptances	-	-	9,554

**Securities:**

- (i) On 24 October 2014, Upha Pharmaceutical had issued a Banker's acceptance amounting to RM1,996,000 at a rate of 3.97% per annum to mature on 8 January 2015. This banker's acceptance is guaranteed by Malayan Banking Berhad.
- (ii) On 30 October 2014, Upha Pharmaceutical had issued a Banker's acceptance amounting to RM1,588,000 at a rate of 3.97% per annum to mature on 23 January 2015. This banker's acceptance is guaranteed by Malayan Banking Berhad.
- (iii) On 19 November 2014, Upha Pharmaceutical had issued a Banker's acceptance amounting to RM1,896,000 at a rate of 4.00% per annum to mature on 6 February 2015. This banker's acceptance is guaranteed by Malayan Banking Berhad.
- (iv) On 3 December 2014, Upha Pharmaceutical had issued a Banker's acceptance amounting to RM2,042,000 at a rate of 4.00% per annum to mature on 23 February 2015. This banker's acceptance is guaranteed by Malayan Banking Berhad.
- (v) On 16 December 2014, Upha Pharmaceutical had issued a Banker's acceptance amounting to RM2,032,000 at a rate of 4.07% per annum to mature on 27 February 2015. This banker's acceptance is guaranteed by Malayan Banking Berhad.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)**

**8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)**

**8.8.5.10 Trade and Other Payables**

	Note	2012 RM'000	2013 RM'000	2014 RM'000
<b>Trade</b>				
Third parties		4,593	9,348	6,411
Related companies	(b)	8,058	9,704	10,026
		<u>12,651</u>	<u>19,052</u>	<u>16,437</u>
<b>Non-trade</b>				
Other payables		2,332	4,675	1,728
Accrued expenses		2,669	2,869	2,849
Amount due to immediate holding company	(a)	105,099	90,979	87,192
Amounts due to related companies	(b)	42,217	41,669	41,984
		<u>152,317</u>	<u>140,192</u>	<u>133,753</u>
		<u>164,968</u>	<u>159,244</u>	<u>150,190</u>

(a) Amount due to immediate holding company

	2012 RM'000	2013 RM'000	2014 RM'000
Amount due to immediate holding company consists of:			
- current account	45,482	31,362	31,574
- loan	59,617	59,617	55,618
	<u>105,099</u>	<u>90,979</u>	<u>87,192</u>

The loan from immediate holding company is unsecured, interest free (2013: interest bearing at 3.83%-3.85% per annum; 2012: 3.99% per annum) and repayable on demand.

The current account payable due to immediate holding company is unsecured, subject to interest rate at 3.83% to 3.85% ( 2013: 3.83% to 3.85%; 2012: 3.99%) per annum and repayable on demand.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

### 8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

### 8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)

#### 8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)

##### 8.8.5.10 Trade and Other Payables (cont'd)

- (b) The trade amounts due to related companies amounted to RM10,026,000 (2013: RM9,704,000; 2012: RM8,058,000) are unsecured, interest free (2013: interest bearing at 3.83% - 3.85% per annum; 2012: 3.99% per annum) and repayable on demand.

The non-trade payables due to related companies amounted to RM41,984,000 (2013: RM41,669,000 2012: RM42,217,000) are unsecured, interest free and repayable on demand.

##### 8.8.5.11 Dividends

2013	Sen per share	Total amount RM'000	Date of payment
Final 2012 ordinary (net of 25% tax)	7.15	<u>1,609</u>	13 June 2013

##### 8.8.5.12 Related Party Disclosures

- (i) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to Upha Pharmaceutical if Upha Pharmaceutical 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 Upha Pharmaceutical 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 Upha Pharmaceutical either directly or indirectly. Key management personnel includes all the Directors of Upha Pharmaceutical, and certain members of senior management of Upha Pharmaceutical.



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)****8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)****8.8.5.12 Related Party Disclosures (cont'd)**

## (ii) Related party transactions

The transactions with related parties of Upha Pharmaceutical, other than the key management personnel are as follows:

	2012 RM'000	2013 RM'000	2014 RM'000
Transactions amount:			
Immediate holding company			
Management fee	723	1,379	2,248
Interest expenses on loan	3,540	3,247	1,585
Other related parties:			
Contracts manufacturing charges/product sales	(105,968)	(93,993)	(109,047)
Rental income from property subleases	(180)	(180)	(180)
Interest expenses	192	186	-
Purchase of products	7,408	2,390	352
Research and development expense	5,478	4,789	4,896
Rental of premises expenses	512	658	762
Shared cost expenses	856	989	1,047

Information regarding outstanding balances arising from the transactions with the immediate holding company and related parties are disclosed in Notes 8.8.5.6 and Notes 8.8.5.10.

## (iii) Key management personnel

	2012 RM'000	2013 RM'000	2014 RM'000
<b>Directors</b>			
- Fees	48	27	36
<b>Other key management personnel</b>			
- Remuneration	1,306	1,559	959
Total short-term employee benefits	1,354	1,586	995

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)****8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)****8.8.5.13 Financial Instruments****(i) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 7.0 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	<b>Loans and receivables RM'000</b>	<b>Financial liabilities at amortised cost RM'000</b>	<b>Total RM'000</b>
<b>2012</b>			
<b>Financial Assets</b>			
Trade and other receivables	97,756	-	97,756
Cash and cash bank balances	4,814	-	4,814
Total financial assets	<u>102,570</u>	<u>-</u>	<u>102,570</u>
<b>Financial Liability</b>			
Trade and other payables	-	164,968	164,968
<b>2013</b>			
<b>Financial Assets</b>			
Trade and other receivables	103,757	-	103,757
Cash and cash bank balances	8,328	-	8,328
Total financial assets	<u>112,085</u>	<u>-</u>	<u>112,085</u>
<b>Financial Liability</b>			
Trade and other payables	-	159,244	159,244

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)****8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)****8.8.5.13 Financial Instruments (cont'd)****(i) Classification of financial instruments (cont'd)**

	<b>Loans and receivables RM'000</b>	<b>Financial liabilities at amortised cost RM'000</b>	<b>Total RM'000</b>
<b>2014</b>			
<b>Financial Assets</b>			
Trade and other receivables	113,375	-	113,375
Cash and cash equivalents	4,809	-	4,809
Total financial assets	118,184	-	118,184
<b>Financial Liability</b>			
Trade and other payables	-	150,190	150,190

**(ii) Financial risk management objectives and policies**

Upha Pharmaceutical is a subsidiary of CCMB and is guided by the holding company's financial risks management policies.

It is, and has been throughout the current and previous financial year, Upha Pharmaceutical's policy that no derivatives shall be undertaken. Upha Pharmaceutical does not apply hedge accounting.

Upha Pharmaceutical is exposed to a variety of risks in the normal course of business. Upha Pharmaceutical's risk management policy seeks to minimise the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks as follows:

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)****8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)****8.8.5.13 Financial Instruments (cont'd)****(ii) Financial risk management objectives and policies (cont'd)****(a) Credit risk**Receivables

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Upha Pharmaceutical's exposure to credit risk arises principally from trade related amount from related company and other receivables.

Upha Pharmaceutical provides sales to its related company and monitors the results of its related company regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the trade receivable is an amount due from its related company and as at the end of the reporting period, this represent 100% (2013: 100%; 2012: 100%) of concentration on Upha Pharmaceutical's net trade receivables. The maximum exposure to credit risk is represented by their carrying amounts in the statements 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 Upha Pharmaceutical. Upha Pharmaceutical uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

**(b) Liquidity risk**

Liquidity risk is the risk that Upha Pharmaceutical will encounter difficulty in meeting financial obligations when they fall due. Upha Pharmaceutical's exposure to liquidity risk arises primarily from its various payables.

Upha Pharmaceutical maintains a prudent level of cash and cash equivalents to ensure current working capital requirement are met. Upha Pharmaceutical also reviews its cash flow requirements regularly.

All of Upha Pharmaceutical's liabilities at the reporting date mature within a year or are repayable on demand.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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- 8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
- 8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)**
- 8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)**
- 8.8.5.13 Financial Instruments (cont'd)**

**(ii) Financial risk management objectives and policies (cont'd)**

**(c) Foreign currency risk**

Upha Pharmaceutical is exposed to foreign currency risk on purchases that are denominated in a currency other than Ringgit Malaysia.

*Risk management objectives, policies and processes for managing risk.*

Upha Pharmaceutical 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.

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

<i>RM'000</i>	<b>USD</b>	<b>SGD</b>	<b>EURO</b>	<b>HKD</b>	<b>Total</b>
<b>2012</b>					
<b>Financial Liability</b>					
Trade payables	311	-	67	-	378
<b>2013</b>					
<b>Financial Liability</b>					
Trade payables	2,913	43	48	10	3,014
<b>2014</b>					
<b>Financial Liability</b>					
Trade payables	2,139	-	-	-	2,139

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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- 8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
- 8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)**
- 8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)**
- 8.8.5.13 Financial Instruments (cont'd)**
- (ii) Financial risk management objectives and policies (cont'd)**
- (c) Foreign currency risk (cont'd)

*Currency risk sensitivity analysis*

A 10% (2013: 10%; 2012:10%) strengthening of RM against the following currencies at the end of the reporting period would have increased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	<b>Increase/(decrease) in profit or loss</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
USD	23	218	160
SGD	-	3	-
EURO	5	4	-
HKD	-	1	-
	<u>          </u>	<u>          </u>	<u>          </u>

A 10% (2013: 10%, 2012:10%) weakening of the RM against the above currencies at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)**
**8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)**
**8.8.5.13 Financial Instruments (cont'd)**
**(ii) Financial risk management objectives and policies (cont'd)**
**(d) Interest rate risk**

Upha Pharmaceutical's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Short-term payables are not significantly exposed to interest rate risk

The carrying amounts of Upha Pharmaceutical's financial instruments that are exposed to interest rate risk are as follows:

	2012	2013	2014
	RM'000	RM'000	RM'000
<b>Fixed rate instruments</b>			
Financial liability	-	-	9,554
	<u>                    </u>	<u>                    </u>	<u>                    </u>

Interest rate sensitivity analysis

Upha Pharmaceutical does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of reporting period would not affect profit or loss.

**8.8.5.14 Fair Values Measurement**
Financial assets and liabilities

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

As the financial assets and liabilities of the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.8 AUDITED FINANCIAL STATEMENTS OF UPHA PHARMACEUTICAL (cont'd)****8.8.5 Notes to the Audited Financial Statements of Upha Pharmaceutical (cont'd)****8.8.5.15 Capital Management**

The primary objective of Upha Pharmaceutical's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

Upha Pharmaceutical manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Upha Pharmaceutical may align the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended 2014, 2013 and 2012. There were no changes in Upha Pharmaceutical's approach to capital management during the financial year.

Upha Pharmaceutical is not subject to any externally imposed capital requirements.

**8.8.5.16 Operating Lease**

Non-cancellable operating lease rentals are payable as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Less than one year	512	683	650
Between one and five year	-	-	271
	<u>512</u>	<u>683</u>	<u>921</u>

Upha Pharmaceutical leases a 3-storey detached factory, a single-storey warehouse annex and a guard house erected thereon together with the equipment under operating leases. The leases typically run for a period of 3 years with an option to renew the lease after that date. Lease payments are increased every 3 years to reflect market rentals. None of the leases includes contingent rentals.

An amount of RM 180,000 (2013: RM180,000; 2012: RM180,000) was recognised as other income in respect of subleases.

**8.8.5.17 Capital and Other Commitments**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Plant, machinery and equipment</b>			
Authorised but not contracted for	-	1,971	358
Contracted but not provided for	-	6,313	1,399
	<u>-</u>	<u>8,284</u>	<u>1,757</u>



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM Pharma****8.9.1 Audited Statements of Comprehensive Income of CCM Pharma**

The audited statements of comprehensive income of CCM Pharma based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>Note</b>	<b>2012 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>
Revenue	8.9.5.1	-	886,078	1,518,991
Cost of goods sold		-	(199,394)	(376,051)
Gross profit		-	686,684	1,142,940
Other income		2,204,115	4,415,324	200,000
Other expenses		(800,000)	-	-
Administrative expenses		(239,675)	(85,435)	(55,794)
<b>Profit from operations</b>		1,164,440	5,016,573	1,287,146
Finance costs		(502,077)	(492,145)	(472,154)
<b>Profit before tax</b>	8.9.5.2	662,363	4,524,428	814,992
Tax expense	8.9.5.3	(64,294)	(371,030)	(162,598)
<b>Profit for the financial year, representing total comprehensive income</b>		<u>598,069</u>	<u>4,153,398</u>	<u>652,394</u>

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)

8.9.2 Audited Statements of Financial Position of CCM Pharma

The audited statements of financial position of CCM Pharma based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
<b>Assets</b>				
<b>Non-Current Assets</b>				
Intangible assets	8.9.5.4	3,200,000	3,200,000	3,200,000
Investment properties	8.9.5.5	26,250,000	29,500,000	29,700,000
Total non-current assets		29,450,000	32,700,000	32,900,000
<b>Current Assets</b>				
Current tax asset		-	-	68,266
Trade and other receivables	8.9.5.6	16,779,637	18,135,241	18,595,488
Cash and bank balances		416,759	176,470	707,513
Total current assets		17,196,396	18,311,711	19,371,267
<b>Total assets</b>		<b>46,646,396</b>	<b>51,011,711</b>	<b>52,271,267</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	8.9.5.7	3,300,000	3,300,000	3,300,000
Retained earnings		26,912,958	31,066,356	31,718,750
Total equity		30,212,958	34,366,356	35,018,750
<b>Current liabilities</b>				
Other payables	8.9.5.8	355,146	391,053	4,632,561
Tax payables		117,396	21,048	-
<b>Total current liabilities</b>		<b>472,542</b>	<b>412,101</b>	<b>4,632,561</b>
<b>Non-Current Liabilities</b>				
Deferred tax liabilities	8.9.5.9	-	277,711	440,131
Other payables	8.9.5.8	15,960,896	15,955,543	12,179,825
<b>Total non-current liabilities</b>		<b>15,960,896</b>	<b>16,233,254</b>	<b>12,619,956</b>
<b>Total equity and liabilities</b>		<b>46,646,396</b>	<b>51,011,711</b>	<b>52,271,267</b>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.3 Audited Statements of Changes in Equity of CCM Pharma**

The audited statements of changes in equity of CCM Pharma based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>Non- Distributable Share Capital RM</b>	<b>Distributable Retained Earnings RM</b>	<b>Total Equity RM</b>
<b>At 1 January 2012</b>	3,300,000	26,314,889	29,614,889
<b>Comprehensive income</b>			
Profit for the financial year, representing total comprehensive income for the financial year	-	598,069	598,069
<b>At 31 December 2012 / 1 January 2013</b>	3,300,000	26,912,958	30,212,958
<b>Comprehensive income</b>			
Profit for the financial year, representing total comprehensive income for the financial year	-	4,153,398	4,153,398
<b>At 31 December 2013/ 1 January 2014</b>	3,300,000	31,066,356	34,366,356
<b>Comprehensive income</b>			
Profit for the financial year, representing total comprehensive income for the financial year	-	652,394	652,394
<b>At 31 December 2014</b>	<u>3,300,000</u>	<u>31,718,750</u>	<u>35,018,750</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.4 Statements of Cash Flows of CCM Pharma**

The audited statements of cash flows of CCM Pharma based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cash Flows From Operating Activities</b>			
Profit before tax	662,363	4,524,428	814,992
Adjustments for:			
Change in fair value of investment properties	(250,000)	(3,250,000)	(200,000)
Interest expense	502,077	492,145	472,154
Interest income	(580,735)	(593,082)	-
Impairment loss on intangible assets	800,000	-	-
<b>Operating profit before changes in working capital</b>	<b>1,133,705</b>	<b>1,173,491</b>	<b>1,087,146</b>
Change in receivables	(1,397,182)	(1,355,604)	(460,247)
Change in payables	314,859	30,554	465,790
<b>Cash generated from/(used in) operations</b>	<b>51,382</b>	<b>(151,559)</b>	<b>1,092,689</b>
Interest paid	(502,077)	(492,145)	(472,154)
Interest received	580,735	593,082	-
Tax paid	(48,176)	(189,667)	(89,492)
<b>Net cash generated from/(used in) operating activities</b>	<b>81,864</b>	<b>(240,289)</b>	<b>531,043</b>
Net increase/(decrease) in cash and cash equivalents	81,864	(240,289)	531,043
Cash and cash equivalents at the beginning of the financial year	334,895	416,759	176,470
<b>Cash and cash equivalents at the end of the financial year</b>	<b>416,759</b>	<b>176,470</b>	<b>707,513</b>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)**
**8.9.5 Notes to the Audited Financial Statements of CCM Pharma**
**8.9.5.1 Revenue**

This represents rental income and lease incentives generated from investment properties.

**8.9.5.2 Profit Before Tax**

Profit before tax is arrived at after charging/(crediting):-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration	8,000	8,000	8,000
Impairment loss on intangible assets	800,000	-	-
Interest expense			
- Advance from immediate holding company	502,077	492,145	472,154
Changes in fair value of investment properties	(250,000)	(3,250,000)	(200,000)
Interest income from related companies	(580,735)	(593,082)	-
Rental income from property sublease	<u>(1,373,380)</u>	<u>(1,458,320)</u>	<u>(1,518,991)</u>

**8.9.5.3 Tax Expense**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Current tax expense:			
- Current year	165,521	192,891	-
- (Over)/Under provision in prior year	(101,227)	(99,572)	178
	64,294	93,319	178
Deferred tax expense:			
- Origination of temporary differences	-	277,711	164,607
- Over provision in prior year	-	-	(2,187)
	-	277,711	162,420
Tax expense	<u>64,294</u>	<u>371,030</u>	<u>162,598</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)****8.9.5.3 Tax Expense (cont'd)**

The reconciliation from the tax amount at the statutory income tax rate to CCM Pharma's tax expense is as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before tax	<u>662,363</u>	<u>4,524,428</u>	<u>814,992</u>
Tax at Malaysian statutory tax rate of 25%	165,591	1,131,107	203,748
Recognition of previously unrecognised deferred tax	59,613	135,733	-
Non-taxable income	(59,683)	(796,238)	(39,141)
(Over)/Under provision in prior financial year :			
- Current tax expense	(101,227)	(99,572)	178
- Deferred tax expense	<u>-</u>	<u>-</u>	<u>(2,187)</u>
Tax expense	<u>64,294</u>	<u>371,030</u>	<u>162,598</u>

CCM Pharma has estimated unutilised tax losses of RM4,561,676 (2013: RM4,790,104; 2012: RM5,816,048) carried forward, available for set-off against future taxable profits.

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividend will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

CCM Pharma has tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income account to pay franked dividend of approximately RMNil and RM1,049,500 (2012: RMNil and RM1,049,500; 2011: RM54,306 and 1,049,500), respectively.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)****8.9.5.4 Intangible Assets**

	<b>Brands</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cost</b>			
<b>At 1 January/31 December</b>	4,000,000	4,000,000	4,000,000
<b>Accumulated impairment loss</b>			
At beginning of the financial year	-	800,000	800,000
Impairment loss	800,000	-	-
At end of the financial year	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
<b>Carrying amounts</b>			
At end of the financial year	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,200,000</u>

**Brands**

The carrying amount of brands represents the acquisition of the brand name of the over-the-counter products. CCM Pharma has not amortised the brand as CCM Pharma is of the opinion that the brands have indefinite useful lives.

**Impairment loss**

CCM Pharma has assessed the carrying amount for impairment in the financial years under review. It is reasonably anticipated that the brands will be recovered through future commercial activity.

In the FYE2012, the carrying amount of the brands was determined to be higher than its recoverable amount and an impairment loss of RM 800,000 was recognised. The impairment loss was included in other expenses.

**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.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)**
**8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)**
**8.9.5.4 Intangible Assets (cont'd)**
**Impairment testing for cash-generating units containing brands (cont'd)**

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 budget. Cash flows for a further 2 years (2013: 2 years; 2012: 2 years) period were extrapolated using a growth rate of 15 percent (2013: 12 to 13 percent; 2012: 10 to 11 percent). Management believes that these 5 years (2013: 5 years; 2012: 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 CCM Pharma's 3 years budget and subsequently projected based on growth rate as stated in Note (a) above.
- (c) A pre-tax discount rate of 5.58 percent (2013: 9.84 percent; 2012: 8.37 percent) was applied in determining the recoverable amount. The discount was estimated based on CCM Pharma's weighted average cost of capital ("WACC").

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

**8.9.5.5 Investment Properties**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>At fair value</b>			
At 1 January	26,000,000	26,250,000	29,500,000
Changes in fair value	250,000	3,250,000	200,000
At 31 December	<u>26,250,000</u>	<u>29,500,000</u>	<u>29,700,000</u>
Included in the above are:			
Freehold land	7,950,000	12,000,000	17,500,000
Leasehold land with unexpired lease period of less than 50 years	4,000,000	4,000,000	4,200,000
Buildings	<u>14,300,000</u>	<u>13,500,000</u>	<u>8,000,000</u>
	<u>26,250,000</u>	<u>29,500,000</u>	<u>29,700,000</u>



**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)**
**8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)**
**8.9.5.5 Investment Properties (cont'd)**

All the investment properties are determined based on market values.

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

Investment properties of CCM Pharma comprise a number of industrial properties that are leased to other related companies. Each of the leases contains an initial non-cancellable period of two years, with annual rents subject to independent valuation. Subsequent renewals are negotiated with the lessee and on renewal period of three years. No contingent rents are charged.

**8.9.5.6 Trade and Other Receivables**

	Note	2012 RM	2013 RM	2014 RM
<b>Trade receivables</b>				
Related companies	(a)	-	886,078	1,518,991
<b>Other receivables</b>				
Amounts due from related companies	(b)	16,757,195	17,228,843	17,051,318
Deposits		22,442	20,320	25,179
		<u>16,779,637</u>	<u>17,249,163</u>	<u>17,076,497</u>
		<u>16,779,637</u>	<u>18,135,241</u>	<u>18,595,488</u>

(a) The trade amount due from related companies are subject to normal trade terms and interest free (2013: 3.83% to 3.85% per annum; 2012: Nil).

(b) The non-trade amounts due from related companies are unsecured, interest free (2013: interest bearing at 3.83% to 3.85% per annum; 2012: 4.40% per annum) and repayable on demand.

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)

8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)

8.9.5.7 Share Capital

	Number of ordinary shares of RM1 each		
	2012	2013	2014
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>3,300,000</u>	<u>3,300,000</u>	<u>3,300,000</u>
	Amount		
	2012	2013	2014
	RM	RM	RM
<b>Authorised:</b>			
At the beginning/end of the financial year	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
<b>Issued and fully paid:</b>			
At the beginning/end of the financial year	<u>3,300,000</u>	<u>3,300,000</u>	<u>3,300,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by CCM Pharma. All ordinary shares carry one vote per share without restrictions and rank equally with regard to CCM Pharma's residual assets.

8.9.5.8 Other Payables

	Note	2012	2013	2014
		RM	RM	RM
<b>Non-current</b>				
Amount due to immediate holding company	(a)	<u>15,960,896</u>	<u>15,955,543</u>	<u>12,179,825</u>
<b>Current</b>				
Other payables		343,346	352	-
Accrued expenses		11,800	46,829	37,392
Amount due to related company	(b)	-	343,872	343,345
Amount due to immediate holding company		-	-	4,251,824
		<u>355,146</u>	<u>391,053</u>	<u>4,632,561</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)****8.9.5.8 Other Payables (cont'd)**

(a) Amount due to immediate holding company is unsecured, subject to interest ranging from 3.87% (2013: 3.83% to 3.85%; 2012: 4.36% to 4.45%) per annum and is not expected to be repaid within the next twelve months.

(b) Amount due to related company is unsecured, interest free and repayable on demand.

**8.9.5.9 Deferred Tax Liabilities**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
At the beginning of the financial year	-	-	277,711
Recognised in profit or loss	-	277,711	162,420
At the end of the financial year	<u>-</u>	<u>277,711</u>	<u>440,131</u>

This is in respect of estimated deferred tax liability/(asset) arising from temporary differences as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Investment properties	-	1,473,050	1,580,550
Unutilised tax losses	-	(1,195,339)	(1,140,419)
	<u>-</u>	<u>277,711</u>	<u>440,131</u>

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)****8.9.5.10 Related Party Disclosures****(i) Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to CCM Pharma if CCM Pharma 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 CCM Pharma and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of CCM Pharma either directly or indirectly. The key management personnel includes all the Directors of CCM Pharma and certain members of senior management of CCM Pharma.

There is no transactions with key management personnel.

**(ii) Related party transactions**

The related party transactions of CCM Pharma are as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Interest expenses on advance from immediate holding company	502,077	492,145	472,154
Rental income from related companies	(1,373,380)	(1,458,320)	(1,518,991)
Interest income from related companies	<u>(580,735)</u>	<u>(593,082)</u>	<u>-</u>

Information regarding outstanding balances arising from related party transactions as at year end is disclosed in Note 8.9.5.6 and Note 8.9.5.8, respectively.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)****8.9.5.11 Financial Instruments****(i) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 7.0 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2012</b>			
<b>Financial Assets</b>			
Trade and other receivables	16,779,637	-	16,779,637
Cash and bank balances	416,759	-	416,759
Total financial assets	17,196,396	-	17,196,396
<b>Financial Liability</b>			
Other payables	-	16,316,042	16,316,042
	-	16,316,042	16,316,042
<b>2013</b>			
<b>Financial Assets</b>			
Trade and other receivables	18,135,241	-	18,135,241
Cash and bank balances	176,470	-	176,470
Total financial assets	18,311,711	-	18,311,711
<b>Financial Liability</b>			
Other payables	-	16,346,596	16,346,596
	-	16,346,596	16,346,596
<b>2014</b>			
<b>Financial Assets</b>			
Trade and other receivables	18,595,488	-	18,595,488
Cash and bank balances	707,513	-	707,513
Total financial assets	19,303,001	-	19,303,001
<b>Financial Liability</b>			
Other payables	-	16,812,386	16,812,386
	-	16,812,386	16,812,386

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)****8.9.5.11 Financial Instruments (cont'd)****(ii) Financial risk management objectives and policies**

CCM Pharma's financial risk management policy is to ensure that adequate financial resources are available for the development of CCM Pharma's operations whilst managing its financial risk, including credit risk and liquidity risk.

The following sections provide details regarding CCM Pharma's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) Credit risk****Receivables**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. CCM Pharma's exposure to credit risk arises principally from the inability of its customers to make payments when due. Bank balances are placed with credit worthy financial institutions.

***Exposure to credit risk***

CCM Pharma's exposure to credit risk arises primarily from unsecured loans and advances to related companies. CCM Pharma monitors the results of the related companies regularly.

CCM Pharma's maximum exposure to credit risk is presented by their carrying amounts in the statements of financial position.

There was no indication that these amounts are not recoverable. CCM Pharma regards that the risk is not significant.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)****8.9.5.11 Financial Instruments (cont'd)****(ii) Financial risk management objectives and policies (cont'd)****(b) Liquidity Risk**

Liquidity risk is the risk that CCM Pharma will encounter difficulty in meeting financial obligations when they fall due. CCM Pharma's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

CCM Pharma actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, CCM Pharma maintains sufficient levels of cash to meet its working capital requirements.

All of CCM Pharma's liabilities at the reporting date mature within a year or are repayable on demand.

**(c) Interest rate risk**

Innovax is exposed to interest rate risk arises primarily from amount due from/to immediate holding company and related companies. Innovax manages its interest risk by monitoring the outstanding balances due from/to immediate holding company and related companies.

The carrying amounts of Innovax's financial instruments that are exposed to interest rate risk are as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Fixed rate instruments</b>			
Financial assets	16,757,195	18,114,921	-
Financial liabilities	<u>(15,960,896)</u>	<u>(15,955,543)</u>	<u>(12,179,825)</u>
	<u>796,299</u>	<u>2,159,378</u>	<u>(12,179,825)</u>

**Interest rate sensitivity analysis**

Innovax does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of reporting period would not affect profit or loss.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)****8.9.5.12 Fair Value Measurement**Financial assets and liabilities

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

The table below analyses financial instruments those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	<b>Fair value of financial instruments not carried at fair value*</b>		
	<b>Total</b>	<b>Total fair value</b>	<b>Carrying amount</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2012</b>			
Financial liabilities			
Amount due to immediate holding company	15,960,896	15,960,896	15,960,896

\* Fair value of financial instruments not carries at fair value have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)****8.9.5.12 Fair Value Measurement (cont'd)**

	<b>Fair value of financial instruments not carried at fair value</b>			<b>Total fair value</b>	<b>Carrying amount</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>		
	<b>RM</b>	<b>RM</b>	<b>RM</b>		
<b>2013</b>					
Financial liabilities					
Amount due to immediate holding company	-	-	15,955,543	15,955,543	15,955,543
<b>2014</b>					
Financial liabilities					
Amount due to immediate holding company	-	-	12,179,825	12,179,825	12,179,825

Fair value of investment properties are categorised as follow:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2012</b>				
Freehold land	-	-	7,950,000	7,950,000
Leasehold land with unexpired lease period of less than 50 years	-	-	4,000,000	4,000,000
Buildings	-	-	14,300,000	14,300,000
<b>2013</b>				
Freehold land	-	-	12,000,000	12,000,000
Leasehold land with unexpired lease period of less than 50 years	-	-	4,000,000	4,000,000
Buildings	-	-	13,500,000	13,500,000

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)**
**8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)**
**8.9.5.12 Fair Value Measurement (cont'd)**

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2014</b>				
Freehold land	-	-	17,500,000	17,500,000
Leasehold land with unexpired lease period of less than 50 years	-	-	4,200,000	4,200,000
Buildings	-	-	8,000,000	8,000,000

**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 investment properties 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.

**Transfer between Level 1 and 2 fair values**

There is no transfer between Level 1 and 2 fair values.

**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the investment property, financial assets and liabilities.

The fair values of long term liabilities are determined using the discounted cash flows valuation technique.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)****8.9.5.12 Fair Value Measurement (cont'd)****Level 3 fair value (cont'd)**

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.

<b>Valuation Technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
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 CCM Pharma for Level 3 fair value**

The fair value of investment properties are 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 CCM Pharma's investment properties portfolio every twelve months. Change 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**

CCM Pharma's investment properties are currently freehold and leasehold industrial lands. The highest and best use of the property should be an industrial land located nearby CCM Pharma's investment properties.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

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**MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.9 AUDITED FINANCIAL STATEMENTS OF CCM PHARMA (cont'd)****8.9.5 Notes to the Audited Financial Statements of CCM Pharma (cont'd)****8.9.5.13 Capital Management**

The primary objective of CCM Pharma's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

CCM Pharma manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, CCM Pharma may align the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the FYE 2014, FYE 2013 and FYE 2012. There were no changes in CCM Pharma's approach to capital management during the financial year.

CCM Pharma is not subject to any externally imposed capital requirements.

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE**

**8.10.1 Audited Statements of Comprehensive Income of CCM Singapore**

The audited statements of comprehensive income of CCM Singapore based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
Revenue	8.10.5.1	7,199,495	8,091,546	8,659,595
Cost of sales		(4,305,741)	(4,492,352)	(4,620,399)
Gross profit		2,893,754	3,599,194	4,039,196
Other income		27,743	73,195	115,292
Selling and distribution expenses		(355,247)	(994,565)	(1,048,301)
Administrative expenses		(828,820)	(1,608,519)	(1,665,146)
Other expenses		(1,632,202)	(64,529)	(465,080)
		(2,816,269)	(2,667,613)	(3,178,527)
<b>Profit from operations</b>		105,228	1,004,776	975,961
Finance cost		(13,635)	(18,766)	(13,295)
<b>Profit before tax</b>	8.10.5.2	91,593	986,010	962,666
Tax expense	8.10.5.3	-	-	-
<b>Profit for the financial year</b>		91,593	986,010	962,666
<b>Other comprehensive income:</b>				
Foreign currency translation, representing other comprehensive income net of tax		8,249	31,844	43,608
<b>Total comprehensive income for the financial year</b>		99,842	1,017,854	1,006,274

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)**

**8.10.2 Audited Statements of Financial Position of CCM Singapore**

The audited statements of financial position of CCM Singapore based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	Note	2012 RM	2013 RM	2014 RM
<b>Assets</b>				
<b>Non-current asset</b>				
Property, plant and equipment	8.10.5.4	502,975	483,598	424,142
<b>Current assets</b>				
Inventories	8.10.5.5	906,404	1,074,590	1,272,797
Trade and other receivables	8.10.5.6	1,110,253	1,294,278	1,294,162
Cash and bank balances		743,153	734,262	1,211,861
		<u>2,759,810</u>	<u>3,103,130</u>	<u>3,778,820</u>
<b>Total assets</b>		<u>3,262,785</u>	<u>3,586,728</u>	<u>4,202,962</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	8.10.5.7	3,664,050	3,923,480	3,923,480
Foreign translation reserve	8.10.5.8	(16,382)	15,462	59,070
Accumulated losses		(3,258,823)	(2,272,813)	(1,310,147)
<b>Total equity</b>		388,845	1,666,129	2,672,403
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	8.10.5.9	2,323,280	1,272,024	1,398,204
Borrowing	8.10.5.10	550,660	648,575	132,355
<b>Total liabilities</b>		<u>2,873,940</u>	<u>1,920,599</u>	<u>1,530,559</u>
<b>Total equity and liabilities</b>		<u>3,262,785</u>	<u>3,586,728</u>	<u>4,202,962</u>

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)**

**8.10.3 Audited Statements of Changes in Equity of CCM Singapore**

The audited statements of changes in equity of CCM Singapore based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	← Non-distributable →			
		Share Capital RM	Translation Reserve RM	Accumulated Losses RM
	Note			Total Equity RM
<b>At 1 January 2012</b>		3,664,050	(24,631)	(3,350,416)
<b>Comprehensive income</b>				
Profit for the financial year		-	-	91,593
<b>Other comprehensive income</b>				
Foreign currency translation differences		-	8,249	-
<b>At 31 December 2012/ 1 January 2013</b>		3,664,050	(16,382)	(3,258,823)
Issue of ordinary shares	8.10.5.7	259,430	-	-
<b>Comprehensive income</b>				
Profit for the financial year		-	-	986,010
<b>Other comprehensive income</b>				
Foreign currency translation differences		-	31,844	-
<b>At 31 December 2013/ 1 January 2014</b>		3,923,480	15,462	(2,272,813)
<b>Comprehensive income</b>				
Profit for the financial year		-	-	962,666
<b>Other comprehensive income</b>				
Foreign currency translation differences		-	43,608	-
<b>At 31 December 2014</b>		3,923,480	59,070	(1,310,147)

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)**
**8.10.4 Statements of Cash Flows of CCM Singapore**

The audited statements of cash flows of CCM Singapore based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 are as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cash Flows from Operating Activities</b>			
Profit before tax	91,593	986,010	962,666
Adjustments for:			
Bad debts written off	6,761	-	-
Depreciation of property, plant and equipment	64,037	66,798	70,541
Impairment on trade receivables	7,419	-	-
Interest income	-	(548)	(3,365)
Interest expense	13,635	18,766	13,295
Loss/(Gain) on disposal of property, plant and equipment	59,029	(153)	-
Reversal of impairment on trade receivables	-	(3,690)	(7,671)
Write down of inventories	53,930	14,250	16,010
Operating profit before working capital changes	296,404	1,081,433	1,051,476
<b>Changes in working capital:</b>			
Inventories	623,759	(168,186)	(198,207)
Trade and other receivables	(160,727)	(180,335)	7,787
Trade and other payables	324,477	(1,051,256)	126,180
Cash generated from/(used in) operations	1,083,913	(318,344)	987,236
Interest paid	(13,635)	(18,766)	(13,295)
Interest received	-	548	3,365
Net cash generated from/(used in) operating activities	1,070,278	(336,562)	977,306
<b>Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment	(553,301)	(30,270)	(4,617)
Proceeds from disposal of property, plant and equipment	720	153	-
Net cash used in investing activities	(552,581)	(30,117)	(4,617)



**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)**

**8.10.4 Statements of Cash Flows of CCM Singapore (cont'd)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of ordinary shares	-	259,430	-
Draw down/(Repayment) of borrowing	-	97,915	(516,220)
Net cash generated from /(used in) financing activities	-	357,345	(516,220)
<b>Net increase/(decrease) in cash and cash equivalents</b>	517,697	(9,334)	456,469
Effect of exchange rate changes	(40,183)	443	21,130
Cash and cash equivalents at beginning of the financial year	265,639	743,153	734,262
<b>Cash and cash equivalents at end of the financial year</b>	<b>743,153</b>	<b>734,262</b>	<b>1,211,861</b>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)**
**8.10.5 Notes to the Audited Financial Statements of CCM Singapore**
**8.10.5.1 Revenue**

Revenue of CCM Singapore represents sales of medical and pharmaceuticals products net of returns and trade discount.

**8.10.5.2 Profit Before Tax**

Profit before tax is arrived at after charging/(crediting):-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration	19,288	19,879	20,441
Bad debts written off	6,761	-	-
Depreciation of property, plant and equipment	64,037	66,798	70,541
Intermediate holding company management fees	226,105	18,661	48,415
Impairment on trade receivables	7,419	-	-
Interest expense	13,635	18,766	13,295
Interest income	-	(548)	(3,365)
Loss/(Gain) on disposal of property, plant and equipment	59,029	(153)	-
Net foreign exchange (gain)/loss	(3,937)	15,970	(225)
Personnel expenses (including key management personnel):			
- Contribution to state plans	114,807	121,132	133,501
- Wages, salaries and others	1,433,758	1,432,377	1,424,233
Rental expenses	426,443	467,932	481,318
Reversal on impairment of trade receivables	-	(3,690)	(7,671)
Write down of inventories	53,930	14,250	16,010

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)**

**8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)**

**8.10.5.3 Tax Expense**

The reconciliation from the tax amount at the statutory income tax rate to CCM Singapore's tax expense is as follows:-

	2012 RM	2013 RM	2014 RM
Profit before tax	91,593	986,010	962,666
Tax at the Singapore statutory income tax rate of 17%	15,571	167,622	163,653
Tax effect of non-deductible expenses	18,888	28,769	25,795
Income not subject to tax	(173)	(11,145)	(8,439)
Deferred tax assets not recognised	(34,286)	(185,246)	(181,009)
Tax expense	-	-	-

**8.10.5.4 Property, Plant and Equipment**

	Office equipment RM	Furniture and fittings RM	Renovation RM	Total RM
<b>2012</b>				
<b>Cost</b>				
At 1 January 2012	76,004	11,547	138,013	225,564
Additions	546,961	-	6,340	553,301
Disposal	-	(11,832)	(128,599)	(140,431)
Foreign exchange differences	1,877	285	3,406	5,568
At 31 December 2012	624,842	-	19,160	644,002
<b>Accumulated Depreciation</b>				
At 1 January 2012	74,070	11,547	67,494	153,111
Charge for the financial year	56,297	-	7,740	64,037
Disposal	-	(11,832)	(68,850)	(80,682)
Foreign exchange differences	2,515	285	1,761	4,561
At 31 December 2012	132,882	-	8,145	141,027
<b>Net Carrying Amount</b>				
At 31 December 2012	491,960	-	11,015	502,975

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)**

**8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)**

**8.10.5.4 Property, Plant and Equipment (cont'd)**

	<b>Office equipment RM</b>	<b>Furniture and fittings RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b>2013</b>				
<b>Cost</b>				
At 1 January 2013	624,842	-	19,160	644,002
Additions	30,270	-	-	30,270
Disposal	(55,567)	-	-	(55,567)
Foreign exchange differences	22,792	-	699	23,491
At 31 December 2013	622,337	-	19,859	642,196
<b>Accumulated Depreciation</b>				
At 1 January 2013	132,882	-	8,145	141,027
Charge for the financial year	64,234	-	2,564	66,798
Disposal	(55,567)	-	-	(55,567)
Foreign exchange differences	5,997	-	343	6,340
At 31 December 2013	147,546	-	11,052	158,598
<b>Net Carrying Amount</b>				
At 31 December 2013	474,791	-	8,807	483,598

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)**

**8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)**

**8.10.5.4 Property, Plant and Equipment (cont'd)**

	<b>Office equipment RM</b>	<b>Furniture and fittings RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b>2014</b>				
<b>Cost</b>				
At 1 January 2014	622,337	-	19,859	642,196
Additions	4,617	-	-	4,617
Foreign exchange differences	12,666	-	405	13,071
At 31 December 2014	<u>639,620</u>	<u>-</u>	<u>20,264</u>	<u>659,884</u>
<b>Accumulated Depreciation</b>				
At 1 January 2014	147,546	-	11,052	158,598
Charge for the financial year	70,541	-	-	70,541
Foreign exchange differences	3,715	-	2,888	6,603
At 31 December 2014	<u>221,802</u>	<u>-</u>	<u>13,940</u>	<u>235,742</u>
<b>Net Carrying Amount</b>				
At 31 December 2014	<u>417,818</u>	<u>-</u>	<u>6,324</u>	<u>424,142</u>

**8.10.5.5 Inventories**

	<b>2012 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>
At cost, Trading merchandise	<u>906,404</u>	<u>1,074,590</u>	<u>1,272,797</u>
Recognised in profit or loss:			
Inventories recognised as cost of sales	4,295,454	4,453,600	4,589,737
Write down of inventories	<u>53,930</u>	<u>14,250</u>	<u>16,010</u>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)**
**8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)**
**8.10.5.6 Trade and Other Receivables**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade</b>			
Third parties	991,411	1,116,649	1,082,860
Less: Allowance for impairment	(11,056)	(7,593)	-
	980,355	1,109,056	1,082,860
<b>Non-trade</b>			
Other receivables, related companies	87,340	137,825	108,774
Deposits	21,776	22,570	23,030
Prepayments	20,782	24,827	79,498
	129,898	185,222	211,302
	<u>1,110,253</u>	<u>1,294,278</u>	<u>1,294,162</u>

CCM Singapore's normal trade credit term is from 30 to 60 days (2013: 30 to 60 days; 2012: 30 to 60 days).

The movement in allowance for impairment are individually impaired as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
At the beginning of the year	3,461	11,056	7,593
Addition	7,419	-	-
Revesal	-	(3,690)	(7,671)
Impairment loss written off	-	(107)	-
Foreign exchange differences	176	334	78
At the end of the year	<u>11,056</u>	<u>7,593</u>	<u>-</u>

Non-trade amounts due from related companies are unsecured, interest free and repayable on demand.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)**
**8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)**
**8.10.5.6 Trade and Other Receivables (cont'd)**

The aging analysis of CCM Singapore's trade receivables is as follows:

	2012 RM	2013 RM	2014 RM
Neither past due nor impaired	670,471	615,168	703,401
1 to 30 days past due not impaired	231,635	256,903	218,198
31 to 60 days past due not impaired	78,249	236,985	161,261
	309,884	493,888	379,459
Impaired	11,056	7,593	-
	<u>991,411</u>	<u>1,116,649</u>	<u>1,082,860</u>

**8.10.5.7 Share Capital**

	Number of ordinary shares		
	2012	2013	2014
<b>Issued and fully paid:</b>			
At the beginning financial year	1,500,000	1,500,000	1,600,000
Issued during the year	-	100,000	-
At the end of financial year	<u>1,500,000</u>	<u>1,600,000</u>	<u>1,600,000</u>
	Amount		
	2012 RM	2013 RM	2014 RM
<b>Issued and fully paid:</b>			
At the beginning financial year	3,664,050	3,664,050	3,923,480
Issued during the year	-	259,430	-
At the end of financial year	<u>3,664,050</u>	<u>3,923,480</u>	<u>3,923,480</u>

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 CCM Singapore. All shares rank equally with regard to CCM Singapore's residual assets.

In FYE 2013, CCM Singapore issued 100,000 new ordinary shares through a private placement at an issue price of SGD1 per ordinary share for cash, for additional working capital purposes. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of CCM Singapore.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)**

**8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)**

**8.10.5.8 Foreign Translation Reserve**

The exchange translation reserve represents exchange differences arising from the translation of the financial statements of CCM Singapore whose functional currency is different from that of CCM Duopharma's presentation currency.

**8.10.5.9 Trade and Other Payables**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade</b>			
Third parties	768	39,475	69,743
Amount due to related companies	1,091,648	551,478	560,200
	<u>1,092,416</u>	<u>590,953</u>	<u>629,943</u>
<b>Non-trade</b>			
Other payables	78,562	103,308	69,283
Goods and service tax payable	65,376	84,566	62,157
Accrual	381,608	493,197	611,192
Amount due to immediate holding company	705,318	-	-
Amount due to intermediate holding company	-	-	25,629
	<u>1,230,864</u>	<u>681,071</u>	<u>768,261</u>
	<u><u>2,323,280</u></u>	<u><u>1,272,024</u></u>	<u><u>1,398,204</u></u>

Trade payables are non-interest bearing. They are with credit terms of 60 to 90 days (2013: 60 to 90 days; 2012: 60 to 90 days).

Non-trade amounts due to immediate holding company and related companies are unsecured with interest free (2013: interest bearing at 3.83% per annum; 2012: 4.05% to 4.5% per annum) and repayable on demand.



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)****8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)****8.10.5.10 Borrowing**

	2012 RM	2013 RM	2014 RM
<b>Short term borrowing</b>			
Due less than 1 year	550,660	648,575	132,355

The short term borrowing is secured by a standby Letter of Credit for SGD1,710,000 from Oversea-Chinese Banking Corporation Bank (Malaysia) Bhd and interest bearing at 1.95% (2013: 1.61% to 1.89%; 2012: 1.49% to 1.69%) per annum.

**8.10.5.11 Related Party Disclosure****(i) Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to CCM Singapore if CCM Singapore 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 CCM Singapore 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 CCM Singapore either directly or indirectly. The key management personnel include all the Directors of CCM Singapore and certain members of senior management of CCM Singapore.

**(ii) Related party transactions and balances**

There is no related party transaction with key management personnel.

The related party transactions of CCM Singapore are as below:-

	2012 RM	2013 RM	2014 RM
<b>Transaction with intermediate holding company:</b>			
- Management fees	226,105	18,661	48,415
- Sales and purchases of goods and services	675,432	137,925	137,775

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
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**8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)**
**8.10.5.11 Related Party Disclosure (cont'd)**

## (ii) Related party transactions and balances (cont'd)

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Transactions with related companies :</b>			
- Administrative expenses	226,105	47,405	29,483
- Administrative expenses	(92,138)	(89,733)	(92,270)
- Overdue interest	-	(548)	(3,365)
- Payment on behalf	609,874	638,633	527,623
- Purchases	3,645,053	3,735,605	3,522,541
- Sales and purchases of goods and services	<u>99,708</u>	<u>141,682</u>	<u>130,115</u>

**8.10.5.12 Operating Lease**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Less than 1 year	-	7,627	7,782
Between 1 and 5 years	<u>-</u>	<u>18,855</u>	<u>11,457</u>
	<u>-</u>	<u>26,482</u>	<u>19,239</u>

At the reporting date, CCM Singapore has outstanding rental commitments for office premises under non-cancellable operating leases. The operating leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on CCM Singapore's activities concerning dividends, additional debts or entering other lease arrangements.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)****8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)****8.10.5.13 Financial Instrument****(i) Classification of financial instruments**

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2012</b>			
<b>Financial Assets</b>			
Trade and other receivables	1,110,253	-	1,110,253
Cash and cash equivalents	743,153	-	743,153
Total financial assets	<u>1,853,406</u>	<u>-</u>	<u>1,853,406</u>
<b>Financial Liabilities</b>			
Trade and other payables	-	2,323,280	2,323,280
Borrowing	-	550,660	550,660
Total financial liabilities	<u>-</u>	<u>2,873,940</u>	<u>2,873,940</u>
<b>2013</b>			
<b>Financial Assets</b>			
Trade and other receivables	1,294,278	-	1,294,278
Cash and cash equivalents	734,262	-	734,262
Total financial assets	<u>2,028,540</u>	<u>-</u>	<u>2,028,540</u>
<b>Financial Liabilities</b>			
Trade and other payables	-	1,272,024	1,272,024
Borrowing	-	648,575	648,575
Total financial liabilities	<u>-</u>	<u>1,920,599</u>	<u>1,920,599</u>
<b>2014</b>			
<b>Financial Assets</b>			
Trade and other receivables	1,294,162	-	1,294,162
Cash and cash equivalents	1,211,861	-	1,211,861
Total financial assets	<u>2,506,023</u>	<u>-</u>	<u>2,506,023</u>
<b>Financial Liabilities</b>			
Trade and other payables	-	1,398,204	1,398,204
Borrowing	-	132,355	132,355
Total financial liabilities	<u>-</u>	<u>1,530,559</u>	<u>1,530,559</u>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)****8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)****8.10.5.13 Financial Instrument (cont'd)**

## (ii) Financial risk management objectives and policies

## (a) Credit risk

Receivables

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. CCM Singapore's exposure to credit risk arises principally from the inability of its customers to make payments when due. Bank balances are placed with credit worthy financial institutions.

Exposure to credit risk

CCM Singapore's exposure to credit risk arises primarily from receivables. At the reporting date, CCM Singapore's maximum exposure to credit risk is presented by its carrying amounts in the statement of financial position.

There was no indication that these amounts are not recoverable. CCM Singapore regard that the risk is not significant.

## (b) Liquidity Risk

Liquidity risk is the risk that CCM Singapore will encounter difficulty in meeting financial obligations when they fall due. CCM Singapore's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

CCM Singapore actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, CCM Singapore maintains sufficient levels of cash to meet its working capital requirements.

All of CCM Singapore's liabilities at the reporting date mature within a year or are repayable on demand.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)****8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)****8.10.5.13 Financial Instrument (cont'd)****(ii) Financial risk management objectives and policies (cont'd)****(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of CCM Singapore's financial instruments will fluctuate because of changes in market interest rate.

CCM Singapore is financed through an interest-bearing bank loan. Therefore, CCM Singapore's exposure to market risk for changes in interest rates related primarily to its short-term borrowing obligations. CCM Singapore's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure by managing its interest cost using a fixed rate debt.

CCM Singapore is not exposed to significant interest rate risk as the interest rate of the short-term loan is fixed at 1.69% per annum.

**(d) Foreign currency risk**

CCMP Singapore's main exposure to foreign currency risk related to sales and purchases that are denominated in currencies other than the functional currency of CCM Singapore. The currency giving rise to this risk is primarily the RM and EURO.

In respect of other monetary assets and liabilities held in currencies other than the Singapore Dollar, CCM Singapore ensures that the net exposure is kept to an acceptable level.

The CCM Singapore's exposure to foreign currencies are amount as follows:

	2012	2013	2014
	RM	RM	RM
<b>RM</b>			
Trade and other receivables	-	(5,059)	-
Trade and other payables	1,178,961	121,278	328,947
	1,178,961	121,278	328,947
<b>EURO</b>			
Trade and other payables	-	39,475	-
	-	39,475	-

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

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**8.10 AUDITED FINANCIAL STATEMENTS OF CCM SINGAPORE (cont'd)****8.10.5 Notes to the Audited Financial Statements of CCM Singapore (cont'd)****8.10.5.13 Financial Instrument (cont'd)**

(ii) Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

**Sensitivity analysis**

A 10% strengthening of the Singapore Dollar against the following currency at the reporting date would affect profit after tax as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>Profit after tax</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Increase</b>			
EURO	-	3,946	-
RM	117,896	11,622	32,896
	<u>          </u>	<u>          </u>	<u>          </u>

A 10% (2013: 10%, 2012: 10%) weakening of the Ringgit Malaysia against the above currencies at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**8.10.5.14 Fair Value Measurement****Financial assets and liabilities**

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

**8.10.5.15 Capital Management**

The primary objective of CCM Singapore's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

CCM Singapore manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, CCM Singapore may align the dividend payment to shareholder, return capital to shareholders or issue new shares.

No changes were made to the policies or processes of capital management during the financial years under review.

CCM Singapore is not subject to any externally imposed capital requirements.

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES**

**8.11.1 Audited Statements of Comprehensive Income of CCM Philippines**

The audited statements of comprehensive income of CCM Philippines based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 is as follows:-

	Note	Restated 2012 RM	2013 RM	2014 RM
Revenue	8.11.5.1	9,639,708	11,705,514	11,428,473
Cost of sales		<u>(8,085,508)</u>	<u>(9,760,720)</u>	<u>(10,580,304)</u>
Gross profit		1,554,200	1,944,794	848,169
Other income		-	558,625	-
Administrative expenses		<u>(3,015,290)</u>	<u>(2,337,005)</u>	<u>(3,705,991)</u>
Other expenses		<u>(285,959)</u>	<u>-</u>	<u>(326,185)</u>
		<u>(3,301,249)</u>	<u>(2,337,005)</u>	<u>(4,032,176)</u>
<b>(Loss)/Profit from operations</b>		<u>(1,747,049)</u>	<u>166,414</u>	<u>(3,184,007)</u>
Finance cost		<u>(332,767)</u>	<u>(376,820)</u>	<u>(425,531)</u>
<b>Loss before tax</b>	8.11.5.2	<u>(2,079,816)</u>	<u>(210,406)</u>	<u>(3,609,538)</u>
Tax credit/(expense)	8.11.5.3	<u>623,987</u>	<u>(23,526)</u>	<u>1,062,609</u>
<b>Loss for the financial year</b>		<u>(1,455,829)</u>	<u>(233,932)</u>	<u>(2,546,929)</u>
<b>Other comprehensive income</b>				
Foreign currency translation, representing other comprehensive income		<u>(141,046)</u>	<u>36,704</u>	<u>(377,279)</u>
<b>Total comprehensive income for the financial year</b>		<u>(1,596,875)</u>	<u>(197,228)</u>	<u>(2,924,208)</u>

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)

8.11.2 Audited Statements of Financial Position of Philippines

The audited statements of financial position of CCM Philippines based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 is as follows:-

	Note	Restated 2012 RM	2013 RM	2014 RM
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8.11.5.4	637,846	558,931	502,250
Deferred tax assets	8.11.5.5	725,640	736,596	1,852,050
		1,363,486	1,295,527	2,354,300
<b>Current assets</b>				
Inventories	8.11.5.6	2,027,934	2,187,760	2,689,988
Trade and other receivables	8.11.5.7	5,264,337	5,785,465	8,451,096
Cash and bank balances		1,642,831	711,435	758,802
		8,935,102	8,684,660	11,899,886
<b>Total assets</b>		<b>10,298,588</b>	<b>9,980,187</b>	<b>14,254,186</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	8.11.5.8	612,076	1,528,312	1,528,312
Foreign translation reserve	8.11.5.9	(150,773)	(114,069)	(491,348)
Accumulated losses		(6,721,701)	(6,955,633)	(9,502,562)
<b>Total equity</b>		<b>(6,260,398)</b>	<b>(5,541,390)</b>	<b>(8,465,598)</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	8.11.5.10	11,384,289	9,467,441	13,075,840
Borrowing	8.11.5.11	5,174,697	6,054,136	9,643,944
<b>Total liabilities</b>		<b>16,558,986</b>	<b>15,521,577</b>	<b>22,719,784</b>
<b>Total equity and liabilities</b>		<b>10,298,588</b>	<b>9,980,187</b>	<b>14,254,186</b>



ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)

8.11.3 Audited Statements of Changes in Equity of CCM Philippines

The audited statements of changes in equity of CCM Philippines based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 is as follows:-

	Note	← Non-distributable →			Total Equity RM
		Share Capital RM	Foreign Currency Translation Reserve RM	Accumulated Losses RM	
<b>At 1 January 2012 (Restated)</b>		612,076	(9,727)	(5,265,872)	(4,663,523)
<b>Comprehensive income</b>					
Loss for the financial year		-	-	(1,455,829)	(1,455,829)
<b>Other comprehensive income</b>					
Foreign currency translation differences		-	(141,046)	-	(141,046)
<b>At 31 December 2012/ 1 January 2013</b>		612,076	(150,773)	(6,721,701)	(6,260,398)
Issue of ordinary shares	8.11.5.8	916,236	-	-	916,236
<b>Comprehensive income</b>					
Loss for the financial year		-	-	(233,932)	(233,932)
<b>Other comprehensive income</b>					
Foreign currency translation differences		-	36,704	-	36,704
<b>At 31 December 2013/ 1 January 2014</b>		1,528,312	(114,069)	(6,955,633)	(5,541,390)
Loss for the financial year		-	-	(2,546,929)	(2,546,929)
<b>Other comprehensive income</b>					
Foreign currency translation differences		-	(377,279)	-	(377,279)
<b>At 31 December 2014</b>		1,528,312	(491,348)	(9,502,562)	(8,465,598)

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)**

**8.11.4 Audited Statements of Cash Flows of CCM Philippines**

The audited statements of cash flows of CCM Philippines based on its audited financial statements for the FYE 2012, FYE 2013 and FYE 2014 is as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cash Flows from Operating Activities</b>			
Loss before tax	(2,079,816)	(210,406)	(3,609,538)
Adjustments for:			
Depreciation of property, plant and equipment	86,946	106,768	96,757
Reclassification of property, plant and equipment	(36,373)	-	-
Expired MCIT	-	-	51,934
Impairment loss on of trade receivables	206,896	-	455,480
Interest expense	332,767	376,820	425,531
Write down on inventories	277,439	-	784,422
Operating (loss)/profit before working capital changes	(1,212,141)	273,182	(1,795,414)
<b>Changes in working capital:</b>			
Inventories	738,695	(159,826)	(1,286,650)
Trade and other receivables	(2,275,401)	(521,128)	(3,121,111)
Trade and other payables	2,937,345	(1,916,848)	3,556,465
Cash generated from/(used in) operations	188,498	(2,324,620)	(2,646,710)
Interest paid	(332,767)	(376,820)	(425,531)
Net cash from/(used in) operating activities, balance carried down	(144,269)	(2,701,440)	(3,072,241)

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)**
**8.11.4 Statements of Cash Flows of CCM Philippines (cont'd)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Balance brought down	(144,269)	(2,701,440)	(3,072,241)
<b>Cash Flows from Investing Activity</b>			
Purchase of property, plant and equipment, representing net cash used in investing activity	(616,937)	(31,779)	(11,594)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares	-	916,236	-
Draw down of borrowing	2,068,871	879,439	3,589,808
Net cash generated from financing activities	2,068,871	1,795,675	3,589,808
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,307,665	(937,544)	505,973
Effect of exchange rate changes	(195,166)	6,148	(458,606)
Cash and cash equivalents at beginning of the financial year	530,332	1,642,831	711,435
<b>Cash and cash equivalents at end of the financial year</b>	<u>1,642,831</u>	<u>711,435</u>	<u>758,802</u>

**8.11.5 Notes to the Audited Financial Statements of CCM Philippines**
**8.11.5.1 Revenue**

Revenue of CCM Philippines represents sales of medical and pharmaceuticals products net of returns and trade discount.

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)**
**8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)**
**8.11.5.2 Loss Before Tax**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration	9,651	10,752	11,014
Depreciation of property, plant and equipment	86,946	106,768	96,757
Impairment loss on of trade receivables	206,896	-	455,480
Interest expense	332,767	376,820	425,531
Management fees	423,725	297,562	435,002
Personnel expenses (including key management personnel):			
- Contribution to state plans	34,338	38,931	52,381
- Wages, salaries and others	1,268,139	1,328,254	1,259,696
Rental expenses	92,041	197,049	116,951
Write down of inventories	277,439	-	784,422

**8.11.5.3 Tax (Credit)/Expenses**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deferred tax expense:			
- Origination of temporary differences	(623,987)	23,526	(1,062,609)
Tax (credit)/expense	(623,987)	23,526	(1,062,609)

The reconciliation from the tax amount at the statutory income tax rate to CCM Philippines' tax expense is as follows:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Loss before tax	(2,079,816)	(210,406)	(3,609,538)
Tax at the Philippines statutory income tax rate of 30%	(623,987)	(63,122)	(1,082,861)
Deferred tax assets not recognised	-	86,648	20,252
Tax (credit)/expense	(623,987)	23,526	(1,062,609)



## ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)****8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)****8.11.5.4 Property, Plant and Equipment (cont'd)**

	Transportation & equipment RM	Furniture and fittings RM	Renovation RM	Office equipment RM	Total RM
<b>2013</b>					
<b>Cost</b>					
At 1 January 2013	160,121	64,143	113,762	709,654	1,047,680
Additions	-	1,996	-	29,783	31,779
Foreign exchange differences	(1,076)	(431)	(765)	(4,769)	(7,041)
At 31 December 2013	159,045	65,708	112,997	734,668	1,072,418
<b>Accumulated Depreciation</b>					
At 1 January 2013	148,759	46,295	111,726	103,054	409,834
Charge for the financial year	11,324	5,640	2,029	87,775	106,768
Foreign exchange differences	(1,038)	(330)	(758)	(989)	(3,115)
At 31 December 2013	159,045	51,605	112,997	189,840	513,487
<b>Net Carrying Amount</b>					
At 31 December 2013	-	14,103	-	544,828	558,931



**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)**
**8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)**
**8.11.5.5 Deferred Tax Assets**

	<b>Restated</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
At beginning of financial year	48,262	725,640	736,596
Recognised in profit or loss	623,987	(116,770)	1,029,717
Others *	44,053	132,208	(16,878)
Foreign exchange differences	9,338	(4,482)	102,615
At end of financial year	<u>725,640</u>	<u>736,596</u>	<u>1,852,050</u>

Present after appropriate offsetting as follows:-

	<b>Restated</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deferred tax assets	725,640	741,078	1,868,928
Deferred tax liabilities	-	(4,482)	(16,878)
	<u>725,640</u>	<u>736,596</u>	<u>1,852,050</u>

This is in respect of estimated deferred tax assets/(liabilities) arising from temporary differences as follows:-

	<b>Restated</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Deferred tax assets</b>			
Unutilised tax losses	623,987	608,870	1,766,313
Others*	92,315	132,208	-
Foreign exchange differences	9,338	-	102,615
	<u>725,640</u>	<u>741,078</u>	<u>1,868,928</u>
<b>Deferred tax liabilities</b>			
Others*	-	-	(16,878)
Foreign exchange differences	-	(4,482)	-
	<u>-</u>	<u>(4,482)</u>	<u>(16,878)</u>

\* Others refers to Minimum Corporate Income Tax based on 2% of gross income. This amount is not included as part of profit or loss but considered as deferred tax asset until it is being utilised. Utilisation can be availed for the next three years provided CCM Philippines is operating at taxable income.



**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
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**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)**
**8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)**
**8.11.5.6 Inventories**

	2012 RM	2013 RM	2014 RM
Trading merchandise	<u>2,027,934</u>	<u>2,187,760</u>	<u>2,689,988</u>
Recognised in profit or loss:			
Write down of inventories	<u>277,439</u>	<u>-</u>	<u>784,422</u>

**8.11.5.7 Trade and Other Receivables**

	2012 RM	2013 RM	2014 RM
<b>Trade</b>			
Third parties	4,829,248	4,903,238	7,565,776
Less: Allowance for impairment	(341,575)	(339,279)	(825,967)
	4,487,673	4,563,959	6,739,809
<b>Non-trade</b>			
Other receivables	131,871	603,769	489,275
Deposits	31,015	36,571	48,084
Prepayments	613,778	581,166	1,173,928
	<u>776,664</u>	<u>1,221,506</u>	<u>1,711,287</u>
	<u>5,264,337</u>	<u>5,785,465</u>	<u>8,451,096</u>

CCM Philippines' normal trade credit term is from 30 to 60 days (2013: 30 to 60 days; 2012: 30 to 60 days).

The movement in allowance for impairment are individually impaired as follows:-

	2012 RM	2013 RM	2014 RM
At the beginning of the year	128,632	341,575	339,279
Impairment during the year	206,896	-	455,480
Foreign exchange differences	6,047	(2,296)	31,208
At the end of the year	<u>341,575</u>	<u>339,279</u>	<u>825,967</u>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**
**MOORE STEPHENS**
**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**
**8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)**
**8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)**
**8.11.5.7 Trade and Other Receivables (cont'd)**

The aging analysis of CCM Philippines's trade receivables is as follows:

	2012 RM	2013 RM	2014 RM
Neither past due nor impaired	3,436,975	3,371,374	1,334,449
1 to 30 days past due not impaired	468,418	277,010	4,918,935
31 to 90 days past due not impaired	582,280	915,575	486,425
	1,050,698	1,192,585	5,405,360
Impaired	341,575	339,279	825,967
	<u>4,829,248</u>	<u>4,903,238</u>	<u>7,565,776</u>

**8.11.5.8 Share Capital**

	Number of ordinary shares		
	2012	2013	2014
<b>Issued and fully paid:</b>			
At the beginning financial year	82,713	82,713	205,863
Issued during the year	-	123,150	-
At the end of financial year	<u>82,713</u>	<u>205,863</u>	<u>205,863</u>
		<b>Amount</b>	
	2012	2013	2014
	RM	RM	RM
<b>Issued and fully paid:</b>			
At the beginning financial year	612,076	612,076	1,528,312
Issued during the year	-	916,236	-
At the end of financial year	<u>612,076</u>	<u>1,528,312</u>	<u>1,528,312</u>

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 CCM Philippines. All shares rank equally with regard to CCM Philippines's residual assets.

In FYE 2013, CCM Philippines issued 123,150 new ordinary shares of PHP100 each through a private placement at an issue price of PHP100 per ordinary share for cash, for additional working capital purposes. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of CCM Philippines.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)****8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)****8.11.5.9 Foreign Translation Reserve**

The exchange translation reserve represents exchange differences arising from the translation of the financial statements of CCM Philippines whose functional currency is different from that of CCM Duopharma's presentation currency.

**8.11.5.10 Trade and Other Payables**

	<b>Restated</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>	
<b>Trade</b>				
Third parties	5,125,870	4,366,925	1,309,297	
<b>Non-trade</b>				
Other payables	3,002	2,324	50,635	
Withholding tax	30,461	16,643	33,342	
Accrual	702,496	264,025	164,085	
Amount due to immediate holding company	5,522,460	4,817,524	11,518,481	
	<u>6,258,419</u>	<u>5,100,516</u>	<u>11,766,543</u>	
	<u>11,384,289</u>	<u>9,467,441</u>	<u>13,075,840</u>	

Trade payables are non-interest bearing. They are with credit terms of 60 to 90 days (2013: 60 to 90 days; 2012: 60 to 90 days).

Non-trade amounts due to immediate holding company is unsecured with interest at 3.87% (2013: 3.83%; 2012: 3.99%) per annum.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)****8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)****8.11.5.11 Borrowing**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Short term borrowing</b>			
Due less than 1 year	<u>5,174,697</u>	<u>6,054,136</u>	<u>9,643,944</u>

**8.11.5.12 Related Party Disclosure****(i) Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to CCM Philippines if CCM Philippines 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 CCM Philippines 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 CCM Philippines either directly or indirectly. The key management personnel include all the Directors of CCM Philippines and certain members of senior management of CCM Philippines.

**(ii) Related party transactions and balances**

There is no related party transaction with key management personnel.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)****8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)****8.11.5.12 Related Party Disclosure (cont'd)**

## (ii) Related party transactions and balances (cont'd)

The related party transactions of CCM Philippines are as below:-

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Transaction with immediate holding company:</b>			
- Management shared cost	423,725	226,648	379,782
<b>Transactions with related companies:</b>			
- Management shared cost	-	70,914	55,220
- Purchases	<u>1,478,521</u>	<u>1,865,894</u>	<u>4,662,682</u>

**8.11.5.13 Financial Instrument**

## (i) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 7.0 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)**

**8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)**

**8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)**

**8.11.5.13 Financial Instrument (cont'd)**

(i) Classification of financial instruments (cont'd)

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2012 (Restated)</b>			
<b>Financial Assets</b>			
Trade and other receivables	5,264,337	-	5,264,337
Cash and cash equivalents	1,642,831	-	1,642,831
Total financial assets	<u>6,907,168</u>	<u>-</u>	<u>6,907,168</u>
<b>Financial Liabilities</b>			
Trade and other payables	-	11,384,289	11,384,289
Borrowing	-	5,174,697	5,174,697
Total financial liabilities	<u>-</u>	<u>16,558,986</u>	<u>16,558,986</u>
<b>2013</b>			
<b>Financial Assets</b>			
Trade and other receivables	5,785,465	-	5,785,465
Cash and cash equivalents	711,435	-	711,435
Total financial assets	<u>6,496,900</u>	<u>-</u>	<u>6,496,900</u>
<b>Financial Liabilities</b>			
Trade and other payables	-	9,467,441	9,467,441
Borrowing	-	6,054,136	6,054,136
Total financial liabilities	<u>-</u>	<u>15,521,577</u>	<u>15,521,577</u>
<b>2014</b>			
<b>Financial Assets</b>			
Trade and other receivables	8,451,096	-	8,451,096
Cash and cash equivalents	758,802	-	758,802
Total financial assets	<u>9,209,898</u>	<u>-</u>	<u>9,209,898</u>
<b>Financial Liabilities</b>			
Trade and other payables	-	13,075,840	13,075,840
Borrowing	-	9,643,944	9,643,944
Total financial liabilities	<u>-</u>	<u>22,719,784</u>	<u>22,719,784</u>

**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)****MOORE STEPHENS****8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)****8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)****8.11.5.13 Financial Instrument (cont'd)****(ii) Financial risk management objectives and policies****(a) Credit risk**Receivables

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. CCM Philippines' exposure to credit risk arises principally from the inability of its customers to make payments when due. Bank balances are placed with credit worthy financial institutions.

Exposure to credit risk

CCM Philippines' exposure to credit risk arises primarily from receivables. At the reporting date, CCM Philippines' maximum exposure to credit risk is presented by its carrying amounts in the statement of financial position.

There was no indication that these amounts are not recoverable. CCM Philippines regard that the risk is not significant.

**(b) Liquidity Risk**

Liquidity risk is the risk that CCM Philippines will encounter difficulty in meeting financial obligations when they fall due. CCM Philippines' exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

CCM Philippines actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, CCM Philippines maintains sufficient levels of cash to meet its working capital requirements.

CCM Philippines is dependent on the financial support from its immediate holding company to meet its financial obligations as and when they fall due.

All of CCM Philippines' liabilities at the reporting date mature within a year or are repayable on demand.

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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## MOORE STEPHENS

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)****8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)****8.11.5.13 Financial Instrument (cont'd)****(c) Foreign currency risk**

CCM Philippines' main exposure to foreign currency risk related to sales and purchases that are denominated in currencies other than the functional currency of CCM Philippines. The currency giving rise to this risk is primarily the RM.

In respect of other monetary assets and liabilities held in currencies other than the Philippine Peso CCM Philippines ensures that the net exposure is kept to an acceptable level.

The CCM Philippines' exposure to foreign currencies are amount as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>USD</b>			
Trade and other payables	<u>96,658</u>	<u>92,135</u>	<u>679,720</u>

**Sensitivity analysis**

A 10% strengthening of the PHP against the following currency at the reporting date would affect profit after tax as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>Profit after tax</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Increase</b>			
USD	<u>7,379</u>	<u>9,633</u>	<u>66,181</u>

**8.11.5.14 Fair Value Measurement****Financial assets and liabilities**

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



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**ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)**


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## **MOORE STEPHENS**

**8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)****8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)****8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)****8.11.5.15 Capital Management**

The primary objective of CCM Philippines' capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

CCM Philippines manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, CCM Philippines may align the dividend payment to shareholder, return capital to shareholders or issue new shares. CCM Philippines relies on the financial support from its immediate holding company to make repayment as and when they fall due.

No changes were made to the policies or processes of capital management since the last financial year.

CCM Philippines is not subject to any externally imposed capital requirements.

**8.11.5.16 Prior Year Adjustments**

The audited financial statements of CCM Philippines for the FYE2013 had incorporated prior year adjustments as follows:

	<b>As restated</b>	<b>Adjustments</b>	<b>As per audited</b>
	<b>2012</b>	<b>RM</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deferred tax assets	725,640	632,058	93,582
Increase of income tax credit due to additional recognition of deferred tax assets	632,058	632,058	-
Translation differences	(8,071)	(8,071)	-
Net effect on income tax credit	623,987	623,987	-

ACCOUNTANTS' REPORT FROM MOORE STEPHENS ASSOCIATES PLT ON THE TARGET COMPANIES (Cont'd)

**MOORE STEPHENS**

8.0 HISTORICAL FINANCIAL INFORMATION OF THE COMPANIES (cont'd)

8.11 AUDITED FINANCIAL STATEMENTS OF CCM PHILIPPINES (cont'd)

8.11.5 Notes to the Audited Financial Statements of CCM Philippines (cont'd)

8.11.5.17 Prior Year Adjustments (cont'd)

	As restated 2012 RM	Adjustments RM	As per audited 2012 RM
Amount owing to immediate holding company	<u>5,522,460</u>	<u>223,658</u>	<u>5,298,802</u>
Effect on other expenses due to additional recognition of unrealised foreign exchange loss on amount due to immediate holding company	<u>285,959</u>	<u>223,658</u>	<u>62,301</u>
		As restated 2012 RM	As per audited 2012 RM
Loss for the financial year:-		-	(1,856,158)
As per audited 2012		(1,856,158)	-
Additional unrealised foreign exchange loss recognised		(223,658)	-
Net effect on income tax credit due to additional recognition of deferred tax assets		<u>623,987</u>	-
		<u>(1,455,829)</u>	<u>(1,856,158)</u>

*Moore Stephens*

MOORE STEPHENS ASSOCIATES PLT  
LLP0000963-LCA & AF002096  
Chartered Accountants

Petaling Jaya, Selangor  
18 June 2015



LO KUAN CHE  
3016/11/16 (J)  
Chartered Accountant

DIRECTORS' REPORT



**CCM DUOPHARMA  
BIOTECH BHD** (524271-W)

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

T + 603 3323 2759  
F + 603 3323 3923  
www.duopharma.com.my

**Registered Office:-**

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

Date: **09 JUN 2015**

**To: The Shareholders of CCM Duopharma Biotech Berhad ("CCM Duopharma" or the "Company")**

On behalf of the Board of Directors of CCM Duopharma ("**Board**"), I wish to report that, after making due enquiries in relation to CCM Duopharma and its subsidiaries ("**Group**") during the period between 31 December 2014, being the date to which the latest audited consolidated financial statements of our Group have been made up, and the date of this letter, being a date not earlier than 14 days before the date of this Abridged Prospectus:

- (i) The business of the Group, in the opinion of the Board, has been satisfactorily maintained;
- (ii) In the opinion of the Board, no circumstances have arisen since the latest audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (iii) The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) Save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (v) There has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/ or principal sums in relation to any borrowings in our Group since the latest audited consolidated financial statements of our Group; and
- (vi) There have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the latest audited consolidated financial statements of our Group.

Yours faithfully,  
For and on behalf of the Board of  
**CCM DUOPHARMA BIOTECH BERHAD**

**TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN**  
Chairman/Non-Independent Non-Executive Director

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**ADDITIONAL INFORMATION**

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**1. SHARE CAPITAL**

- (i) Save for the Rights Shares, no securities in our Company will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of this Abridged Prospectus.
- (ii) As at the date of this Abridged Prospectus, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely the ordinary shares of RM0.50 each, all of which rank *pari passu* with one another.
- (iii) All the Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then CCM Duopharma Shares, save and except that such shares will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid to the shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares.
- (iv) Save for the Entitled Shareholders who will be allotted the Provisional Rights Shares, no person has been or is entitled to be granted an option to subscribe for any of our securities as at the LPD.
- (v) Save for the Rights Shares, as at the LPD, none of the securities of our Group have been issued or agreed to be issued either as fully or partly paid-up in cash or otherwise within the two (2) years immediately preceding the LPD.

**2. DIRECTORS' REMUNERATION**

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are set out below:

**(i) Article 86 – Directors Remuneration**

Remuneration of Directors shall from time to time be determined by the Company in general meeting, and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine. Provided always that:

- (a) Fees payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;
- (b) Salaries payable to Directors who do hold an executive office in the Company may not include a commission on or percentage of turnover;
- (c) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) Any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

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**ADDITIONAL INFORMATION (Cont'd)**


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**(ii) Article 87 – Reimbursement of expenses**

- (a) The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending Board Meetings of the Company; and
- (b) If any Director whether he holds an executive or non-executive position in the Company, being willing shall be called upon to perform extra services or to make any special arrangements in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director doing so if he holds an executive position in the Company, either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) and if he holds a non-executive position in the Company, either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of profits or turnover) and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors.

**(iii) Article 90 – Remuneration of Managing Director**

The remuneration of the Managing Director may be by way of salary or commission or participation in profits or otherwise or by any or all of these models but such remuneration shall not include a commission on or percentage of turnover.

**3. MATERIAL CONTRACTS**

Save for the following, as at the LPD, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Abridged Prospectus:

- (a) On 27 November 2014, our Company had entered into the following share sale agreements in relation to the following:
  - (i) The acquisition of the entire equity interest in CCM Pharmaceuticals Sdn Bhd (“**CCM Pharmaceuticals**”) and Innovax Sdn Bhd (“**Innovax**”) by CCM Duopharma from 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 Group amounting to RM10,655,000 based on 30 September 2014 to be settled via cash;
  - (ii) The acquisition of the entire equity interest in CCM International (Philippines), Inc (“**CCM Philippines**”) by CCM Duopharma from CCM Investments Ltd, a wholly-owned subsidiary of CCMB (“**CCM Investments**”) for a purchase consideration of RM1,000 to be settled via cash;
  - (iii) The acquisition of the entire equity interest in CCM Pharmaceuticals (S) Pte Ltd (“**CCM Singapore**”) by CCM Duopharma 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; and

**ADDITIONAL INFORMATION (Cont'd)**

- (iv) The acquisition of the entire equity interest in CCM Pharma Sdn Bhd (“**CCM Pharma**”) and Upha Pharmaceutical Manufacturing (M) Sdn Bhd (“**Upha Pharmaceutical**”) by CCM Duopharma’s wholly-owned subsidiary, Duopharma (M) Sdn Bhd (“**DMSB**”) 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;
- (b) On 24 December 2014, our Company had entered into a supplementary share sale agreement with CCMB to vary the terms of the CCMD SSA in relation to the Acquisition;
- (c) On 24 December 2014, DMSB had also entered into a supplementary share sale agreements with CCMB to vary the terms of the DMSB SSA in relation to the Acquisition;
- (d) On 27 March 2015, our Company had entered into supplementary letters in relation to the SSAs whereby the purchasers and the vendors of the SSAs have mutually agreed to extend the date by which the conditions precedent must be fulfilled to 27 June 2015. All the other terms in the SSAs unless varied or amended otherwise therein shall remain unchanged;
- (e) On 25 May 2015, our Company had entered into a supplementary letter in relation to the Philippines Company SSA whereby the parties agreed:
  - (i) to proceed with the completion of the Philippines Company SSA; and
  - (ii) that the condition for the capitalisation of inter-company advances made by CCM Investments or CCMB or any subsidiary of CCMB of Philippines Peso Sixty Nine Million Four Hundred Fifty Six Thousand Eight Hundred (PHP69,456,800.00) to CCM International (Philippines), Inc and for that purpose, issuance of 694,568 new shares in CCM International (Philippines), Inc to CCM Investments be performed as a condition subsequent to completion of the Philippines Company SSA. The new shares will not be transferred at completion and CCM Investments undertakes to perform all actions necessary to complete the capitalisation and transfer the issued shares to CCM Duopharma.
- (f) On 5 June 2015, our Company had entered into an underwriting agreement with the Underwriter in relation to the underwriting of 37,146,608 Rights Shares representing approximately 26.63% of the total Rights Shares to be issued under the Rights Issue.

For information purposes;

- (a) one of the Target Companies, namely CCM Pharmaceuticals, had on 23 June 2014 entered into an Acquisition & Transfer of Lease Agreement with Dunham-Bush Industries Sdn Bhd for the acquisition and transfer of leases entered into between Perbadanan Kemajuan Negeri Selangor and Dunham-Bush Industries Sdn Bhd regarding the parcels of industrial lands held under HSM 9629 PT 11460, HSM 9630 PT 11461 and HSM 9631 PT11462 Seksyen 13 Mukim Kajang Bandar Baru Bangi Daerah Hulu Langat, Negeri Selangor from Dunham-Bush Industries Sdn Bhd at a cash consideration of RM6,600,000 upon the terms and conditions therein. The Acquisition & Transfer of Lease Agreement was completed on 5 November 2014;

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**ADDITIONAL INFORMATION (Cont'd)**

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- (b) one of the Target Companies, namely CCM Philippines, had on 31 May 2013 entered into a Novation Cum Debt Conversion Agreement ("**Novation Cum Debt Conversion Agreement No. 1**") with CCMB and CCM Investments, whereby:
- (i) the rights title interest benefits advantages and obligations of CCMB under the inter-company loan agreement dated 2 January 2010 made between CCMB and CCM Philippines ("**Loan Agreement**") had been novated and assigned in favour of CCM Investments; and
  - (ii) subsequent to the aforesaid novation and assignment, a portion of the outstanding balance owing and payable by CCM Philippines under the Loan Agreement be paid by CCM Philippines to CCM Investments by conversion of that portion into shares of stock in the capital stock of CCM Philippines,
- upon the terms and conditions therein;
- (c) one of the Target Companies, namely CCM Philippines, had on 20 March 2015 entered into a Novation Cum Debt Conversion Agreement No. 2 ("**Novation Cum Debt Conversion Agreement No. 2**") with CCMB and CCM Investments, whereby:
- (i) the rights, title, interest, benefits, advantages and obligations of CCMB in respect of the further sums of money that was advanced by CCMB to CCM Philippines subsequent to the debt conversion under the Novation Cum Debt Conversion Agreement No. 1 ("**Lender's Advances**") had been novated and assigned in favour of CCM Investments; and
  - (ii) subsequent to the aforesaid novation and assignment, the outstanding balance owing and payable by CCM Philippines pursuant to the Lender's Advances and the outstanding balance owing and payable by CCM Philippines under the Loan Agreement as at 30 September 2014 be paid by CCM Philippines to CCM Investments by conversion of those outstanding sums into shares of stock in the capital stock of CCM Philippines,
- upon the terms and conditions therein.

**4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and after having made all reasonable enquiries, our Board is not aware and does not have any knowledge of any such proceedings pending or threatened against our Group or of any facts which is likely to give rise to any proceedings which may materially or adversely affect the financial position or business of our Group.

**5. GENERAL**

- (i) There is no existing or proposed service contract entered or to be entered into by our Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.

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**ADDITIONAL INFORMATION (Cont'd)**

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- (ii) Save as disclosed in this Abridged Prospectus, after having made all reasonable enquiries and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:
  - (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;
  - (b) material commitments for capital expenditure of our Group, the purpose of such commitments and the source of funding;
  - (c) unusual, infrequent events or transactions or significant economic changes which materially affect the amount of reported income from the operations of our Group;
  - (d) known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on the revenue or operating income of our Group;
  - (e) substantial increase in revenues; and
  - (f) material information, including special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

**6. CONSENTS**

Our Principal Adviser and Underwriter, company secretary, principal bankers, Bloomberg Finance LP, share registrar and due diligence solicitor for the Rights Issue have given and have not subsequently withdrawn their written consents the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our Auditors have given and have not subsequently withdrawn their written consent the inclusion in this Abridged Prospectus of name, the audited consolidated financial statements of our Group for the FYE 31 December 2014, and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our Reporting Accountants have given and have not subsequently withdrawn their written consent the inclusion in this Abridged Prospectus of name, the letter on the proforma consolidated statements of financial position of our Group as at 31 December 2014, and all references thereto in the form and context in which they appear in this Abridged Prospectus.

**7. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office at 13th Floor, Menara PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur, during normal business hours (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:

- (i) Our Memorandum and Articles of Association;
- (ii) The proforma consolidated statements of financial position of CCM Duopharma as at 31 December 2014 together with the reporting accountants' letter thereon, as set out in **Appendix III** of this Abridged Prospectus;



**ADDITIONAL INFORMATION (Cont'd)**

- (iii) Our audited consolidated financial statements for the past two (2) financial years up to the FYE 31 December 2014;
- (iv) Our latest unaudited quarterly report for the FPE 31 March 2015, as set out in **Appendix V** of this Abridged Prospectus;
- (v) The Accountants' Report from Moore Stephens Associates PLT on the Target Companies, as set out in **Appendix VI** of this Abridged Prospectus;
- (vi) The Directors' Report, as set out in **Appendix VII** of this Abridged Prospectus;
- (vii) The material contracts referred to in **Section 3** above;
- (viii) The letters of consent referred to in **Section 6** above; and
- (ix) The Irrevocable Undertaking from the Undertaking Shareholder referred to in **Section 4** of this Abridged Prospectus.

**8. RESPONSIBILITY STATEMENT**

This Abridged Prospectus together with the accompanying NPA and RSF have been seen and approved by our Board. They collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement herein false or misleading.

RHBIB, being our Principal Adviser and Underwriter for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

**NOTICE OF PROVISIONAL ALLOTMENT OF RIGHTS SHARES**

All abbreviations used herein shall have the same meaning as those defined in the "Definitions" page of the abridged prospectus dated 22 June 2015 ("Abridged Prospectus") unless stated otherwise. The Provisional Rights Shares (as defined herein) are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 ("SICDA") and therefore, the SICDA and the Rules of Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") shall apply in respect of dealings in the Provisional Rights Shares.



**CCM DUOPHARMA BIOTECH BERHAD**  
(Company No. 524271-W)  
(Incorporated in Malaysia under the Companies Act, 1965)

**RENOUNCEABLE RIGHTS ISSUE OF 139,479,500 NEW ORDINARY SHARES OF RM0.50 EACH IN CCM DUOPHARMA BIOTECH BERHAD ("CCM DUOPHARMA" OR THE "COMPANY") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) ORDINARY SHARE OF RM0.50 EACH IN CCM DUOPHARMA ("CCM DUOPHARMA SHARE(S)"), AS AT 5.00 P.M. ON MONDAY, 22 JUNE 2015 AT AN ISSUE PRICE OF RM1.80 PER RIGHTS SHARE PAYABLE IN FULL UPON ACCEPTANCE ("RIGHTS ISSUE")**

*Principal Adviser and Sole Underwriter*



**RHB Investment Bank Berhad**  
(Company No. 19663-P)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

**To: The Entitled Shareholders of CCM Duopharma**

**Dear Sir/Madam,**

Our Board of Directors of CCM Duopharma ("Board") has provisionally allotted to you, in accordance with the approval of the Bursa Malaysia Securities Berhad ("Bursa Securities") vide its letter dated 30 January 2015 and the ordinary resolution passed by our shareholders at the Extraordinary General Meeting held on 11 March 2015, the number of Rights Shares as indicated below ("Provisional Rights Shares").

We wish to advise that the following number of Rights Shares provisionally allotted to you in respect of the Rights Issue have been confirmed by Bursa Depository and upon acceptance will be credited into your Central Depository System ("CDS") account(s) subject to the terms and conditions stated in the Abridged Prospectus and the Rights Subscription Form ("RSF") issued by our Company.

The Provisional Rights Shares is made subject to the terms and conditions stated in the Abridged Prospectus issued by our Company. Bursa Securities has already prescribed the securities of CCM Duopharma listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Rights Shares arising from the Rights Issue are prescribed securities and, as such, all dealings in the Provisional Rights Shares will be by way of book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository.

**ALL THE RIGHTS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/ OR THEIR RENOUNCEE(S) AND/OR TRANSFEREE(S)/ (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATE WILL BE ISSUED.**

It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner to the Entitled Shareholders and/or their renounee(s) and/or transferee(s) who have applied for the excess Rights Shares in the following priority:-

- (i) Firstly, to minimise the incidence of odd lots;
- (ii) Secondly, for allocation to our Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lots, calculated based on their respective shareholdings as at the Entitlement Date;
- (iii) Thirdly, for allocation to our Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares application; and
- (iv) Fourthly, for allocation to the renounee(s) and/or transferee(s) who have applied for Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares application.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for under Part I (B) of the RSF in such manner as they deem fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in (i) to (iv) above is achieved. Our Board also reserves the right not to accept any Excess Rights Shares application, in full or in part, without assigning any reason.

**NAME, ADDRESS AND CDS ACCOUNT NUMBER OF ENTITLED SHAREHOLDER**

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NUMBER OF CCM DUOPHARMA SHARES HELD AT 5.00 P.M. ON 22 JUNE 2015	NUMBER OF RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	AMOUNT PAYABLE IN FULL UPON ACCEPTANCE AT RM1.80 PER RIGHTS SHARE (RM)

**IMPORTANT RELEVANT DATES AND TIME :-**

Entitlement Date	: Monday, 22 June 2015 at 5.00 p.m.
Commencement date and time for sale of provisional allotment of rights	: Tuesday, 23 June 2015 at 9.00 a.m.
Last date and time for sale of provisional allotment of rights	: Monday, 29 June 2015 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	: Thursday, 2 July 2015 at 4.00 p.m.
Last date and time for acceptance and payment	: Tuesday, 7 July 2015 at 5.00 p.m.
Last date and time for excess application and payment	: Tuesday, 7 July 2015 at 5.00 p.m.

\* or such later date and time as our Board may determine and announced not less than two (2) market days before the stipulated date and time.

By order of the Board  
**NOOR AZWAH BINTI SAMSUDIN (LS 0006071)**  
Company Secretary

Share Registrar  
**Tricor Investor Services Sdn Bhd (118401-V)**  
Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel: 603-2264 3883  
Fax: 603-2282 1886



## NOTES AND INSTRUCTIONS FOR COMPLETION OF THIS RSF

**THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT. IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT, 2007, AS AMENDED FROM TIME TO TIME, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE ABRIDGED PROSPECTUS DATED 22 JUNE 2015.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.** You should address all enquiries concerning the procedures for application, acceptance and payment for the Rights Issue to our Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. **INVESTORS SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ABRIDGED PROSPECTUS TO WHICH THIS RSF RELATES BEFORE COMPLETING THIS RSF.**

This RSF, together with the Abridged Prospectus and the Notice of Provisional Allotment ("NPA"), are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue and these documents comply with the laws of any country or jurisdiction other than the laws of Malaysia. Any entitled shareholder and/or his renounee(s)/transferee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and other professionals as to whether the acceptance or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue would result in the contravention of any law of such countries or jurisdictions. Neither our Company, our Board of Directors ("Board") nor RHB Investment Bank Berhad shall accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) made by the entitled shareholder and/or his renounee(s)/transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such country or jurisdiction in which the entitled shareholder and/or his renounee(s)/transferee(s) (if applicable) is a resident.

A copy of this Abridged Prospectus has been registered with the Securities Commission Malaysia ("SC"). A copy of the Abridged Prospectus, together with the RSF and NPA, has also been lodged with the Registrar of Companies, who takes no responsibility for the contents.

Approval for the Rights Issue has been obtained from shareholders of CCM Duopharma at the Extraordinary General Meeting held on 11 March 2015. Approval has been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") vide its letter dated 30 January 2015 for the listing of and quotation for the Rights Shares to be issued pursuant to the Rights Issue on the Main Market of Bursa Securities. The official listing of and quotation for all the new securities to be issued by our Company pursuant to the Rights Issue will commence after, amongst others, the receipt of confirmation from Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") that all the Central Depository System ("CDS") accounts of the successful entitled shareholders and/or their transferees/renounees (if applicable) have been duly credited and notices of allotment have been despatched to them.

Neither Bursa Securities nor the SC takes responsibility for the correctness of any statements made or opinions expressed herein. The admission to the Official List and the official listing of and quotation for all the new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue.

Our Board has seen and approved all documentation relating to the Rights Issue. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make the statements in these documents false or misleading.

Unless otherwise stated, the unit of currency used in this RSF is Ringgit Malaysia (or "RM" in abbreviation) and sen. Terms defined in the Abridged Prospectus shall have the same meanings when used in this document, unless they are otherwise defined here or other context otherwise requires.

### INSTRUCTIONS:-

#### (I) LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT

This RSF is valid for acceptance until **5.00 p.m. on Tuesday, 7 July 2015**, or such later date and time as may be determined by our Board at their absolute discretion. Where the closing date for the acceptance and payment is extended from the original closing date, the announcement of such extension will be made not less than two (2) market days before the original closing date.

If the acceptance of and payment for the Provisional Rights Shares by you and/or your renounee(s)/transferee(s) (if applicable) is not received by our Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur **by 5.00 p.m. on Tuesday, 7 July 2015** (or such later date and time as our Board may determined and announced not less than two (2) market days before the stipulated date and time), you and/or your renounee(s)/transferee(s) (if applicable) will be deemed to have declined the Provisional Rights Shares entitlement made to you. Our Board reserves the right to allot any unsubscribed Rights Shares in a fair and equitable basis and in such manner as they deem fit and expedient and in the best interest of our Company.

#### (II) FULL OR PART ACCEPTANCE OF THE RIGHTS SHARES

If you and/or your renounee(s)/transferee(s) (if applicable) wishes to accept all or any part of the Provisional Rights Shares, please complete Parts I(A) and II of this RSF in accordance with the notes and instructions printed herein. Each completed RSF must be accompanied with remittance made in RM for the full amount payable for the Rights Shares accepted in the form of Banker's Draft, Cashier's Order, Money Order or Postal Order drawn on a bank or post office operating in Malaysia and must be made out in favour of "**CCM DUOPHARMA RIGHTS ISSUE ACCOUNT**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name, contact number and CDS account number in block letters to be received by our Share Registrar at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur **by 5.00 p.m. on Tuesday, 7 July 2015** (or such later date and time as may be determined and announced by our Board not less than two (2) market days before the stipulated date and time). Cheques or any other mode of payments are not acceptable. Details of remittance must be filled in the appropriate boxes provided in the RSF.

The remittance must be made for the exact amount payable for the Rights Shares accepted. No acknowledgement of receipt of this RSF or application monies will be made by our Company or our Share Registrar in relation to the Rights Shares. If you are successful in your application, you will be allotted your Rights Shares and notices of allotment shall be despatched and forwarded by ordinary post to you to the address shown in Bursa Depository's records at your own risk within eight (8) market days from the last date for the acceptance and payment (or such later date and time as may be determined and announced by our Board not less than two (2) market days before the stipulated date and time) for the Provisional Rights Shares.

You should note that all RSFs lodged with our Share Registrar will be irrevocable and cannot be subsequently withdrawn.

Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. No acknowledgement of receipt of the RSF for the Rights Shares application or the application monies will be issued by our Company or our Share Registrar.

#### (III) APPLICATION FOR EXCESS RIGHTS SHARES

If you and/or your renounee(s)/transferee(s) (if applicable) wishes to apply for Excess Rights Shares in addition to those Provisional Rights Shares, please complete Part I(B) of this RSF (in addition to Parts I(A) and II) and forward this RSF (together with a **separate remittance** for the full amount payable in respect of the Excess Rights Shares applied for) to our Share Registrar. Payment for the Excess Rights Shares under the Rights Issue applied for should be made in the same manner described in note (II) above, with remittance in the form of Banker's Draft, Cashier's Order, Money Order or Postal Order drawn on a bank or post office operating in Malaysia and must be made out in favour of "**CCM DUOPHARMA EXCESS RIGHTS ISSUE ACCOUNT**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name, contact number and CDS account number in block letters to be received by our Share Registrar at the address above **by 5.00 p.m. on Tuesday, 7 July 2015** (or such later date and time as may be determined and announced by our Board not less than two (2) market days before the stipulated date and time). No acknowledgement of receipt of this RSF or application monies will be made by our Company or our Share Registrar in relation to the Excess Rights Shares. If you are successful in your application, you will be allotted your Rights Shares and notices of allotment shall be despatched and forwarded by ordinary post to you to the address shown in Bursa Depository's records at your own risk within eight (8) market days from the last date for the acceptance and payment (or such later date and time as our Board may determined and announced not less than two (2) market days before the stipulated date and time) for the Excess Rights Shares.

It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner to the Entitled Shareholders and/or their renounee(s) and/or transferee(s) who have applied for the excess Rights Shares in the following priority:-

- (i) Firstly, to minimise the incidence of odd lots;
- (ii) Secondly, for allocation to our Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lots, calculated based on their respective shareholdings as at the Entitlement Date;
- (iii) Thirdly, for allocation to our Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares application; and
- (iv) Fourthly, for allocation to the renounee(s) and/or transferee(s) who have applied for Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares application.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for under Part I (B) of the RSF in such manner as they deem fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in (i) to (iv) above is achieved. Our Board also reserves the right not to accept any Excess Rights Shares application, in full or in part, without assigning any reason.

In respect of unsuccessful or partially successful Excess Rights Shares applications, the full amount or surplus application monies, as the case may be, shall be refunded without interest to the applicants within fifteen (15) market days from the last date for the application and payment (or such later date and time as our Board may determined and announced not less than two (2) market days before the stipulated date and time) for the Excess Rights Shares by ordinary post to the address as shown in Bursa Depository's records at the applicant's own risk.

#### (IV) SALE OR TRANSFER OF PROVISIONAL RIGHTS SHARES

If you and/or your renounee(s)/transferee(s) (if applicable) wishes to sell/transfer all or part of your and/or their entitlement to the Provisional Rights Shares to one (1) or more person(s), you and/or your transferee/renounee(if applicable) may do so through your stockbroker without first having to request us for a split of the Provisional Rights Shares standing to the credit of your and/or their CDS account. To dispose of all or part of your and/or their entitlement to the Provisional Rights Shares, you and/or your renounee(s)/transferee(s) (if applicable) may sell such entitlement on the open market or transfer to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last date and time for sale or transfer of the Provisional Rights Shares respectively.

In selling or transferring all or part of your Provisional Rights Shares, you and/or your renounee(s)/transferee(s) (if applicable) need not deliver any document including this RSF, to any stockbroker. However, you and/or your renounee(s)/transferee(s) (if applicable) must ensure that there is sufficient Provisional Rights Shares standing to the credit of your and/or their CDS account that are available for settlement of the sale/transfer, as the case may be.

The purchaser(s), renounee(s)/transferee(s) of the Provisional Rights Shares may obtain a copy of this Abridged Prospectus and the RSF from their stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website (<http://www.bursamalaysia.com>).

#### (V) GENERAL INSTRUCTIONS

- (a) All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seals.
- (b) Rights Shares subscribed by the entitled shareholder and/or his renounee(s)/transferee (if applicable) will be credited into their respective CDS account as shown in the Bursa Depository's record of depositors.
- (c) Any interest or other benefit accruing on or arising from or in connection with any application monies shall be for the benefit of our Company and our Company shall not be under any obligation to account for such profit or other benefit to you.
- (d) The contract arising from the acceptance of the Provisional Rights Shares and the Excess Rights Shares applied by you shall be governed by and construed in accordance with the laws of Malaysia, and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
- (e) Our Company reserves the right to accept or reject any acceptance and/or application if the instructions herein stated are not strictly adhered to.
- (f) Malaysian Revenue Stamp (NOT POSTAGE STAMP) of RM10.00 must be affixed on this RSF.