annual report

2007

Apex Healthcare Berhad
(473108-T)

APEX HEALTHCARE BERHAD (473108-T)

ANNUAL REPORT 2007

APEX HEALTHCARE BERHAD (473108-T)
134/2 Kompleks Perniagaan Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka
Malaysia
Tel : +606 284 7381
Fax : +606 283 2140

Xepa sp

Trusted Leadership

committed to healthier living

New Liquids Pharma Plant

Back in 1967 Xepa-Soul Pattinson had a modest beginning as a factory manufacturing a small selection of products in Singapore. Today, our manufacturing lines have expanded to a wide range of ethical medicines in numerous therapeutic groups; all designed for safe and efficacious administrations. Our small flatted pioneering factory has since relocated twice to larger plants in Malacca in Malaysia, and evolved into an 180,000 square feet site comprising laboratories, production floors, warehouse and offices.

While we may have been around for over four decades, as a veteran healthcare provider Xepa has always held a firm belief in investing in current technology and facility in its aim to introduce off-patent pharmaceuticals. Reflecting Xepa's quest for excellence in quality is our **New Liquids Pharmaceutical Plant** with elaborate production facilities, monitoring/control systems and the comprehensive training of staffs. Cutting-edge technology includes machinery such as In-line Vacuum Mixer, Class A Aseptic Filler, Synchronized Bottle Transfer System and USP 28 Purified Water System. Laboratory and the quality management system are ISO certified, and world-class PIC/S GMP is upheld throughout the manufacturing process.

Directory of Distribution Depots

BRANCH	ADDRESS	TELEPHONE NUMBER	FAX NUMBER	CONTACT PERSON
SUBANG JAYA Head Office	2, Jalan SS 13/5 47500 Subang Jaya Selangor Darul Ehsan	03-5629 3688 (GL) 03-5629 3686 (SO)	03-5636 8200 (HQ/ACC) 03-5636 8025 (MKTG) 03-5636 8110 (SO/SALES) 03-5629 3777 (SO/SALES)	Mr Tan Hing Tai (ED) Ms Lee Siew Bee (F&A Mgr) Mr Lau Ah Tee (AGM SBU I) Ms Ang Girl Bee (Dist. Mgr/SBU III) Mr Lim Ein Heng (AGM SBU IV)
IPOH	2-4, Medan Bendahara 2 Medan Bendahara 31650 Ipoh Perak Darul Ridzuan	05-254 5833 05-253 6307 05-241 5613	05-253 2213	Mr Choong Foo Peng - Senior Branch Manager Mr Wong Tun Liang - Pharmacist
MALACCA	134/1, Kompleks Perniagaan Munshi Abdullah Jalan Munshi Abdullah 75100 Melaka	06-284 7350 06-282 8695 06-282 2168	06-283 7704	Mr Tan Teck Beng - Senior Branch Manager Mr Soh Teck Chai - Branch Manager
SEREMBAN	18, Jalan Abdul Rahman 70000 Seremban Negeri Sembilan	06-764 2810	06-767 0327	Mr Soh Teck Chai - Branch Manager Mr Yeoh Teong Lum - Wholesale Operation Executive
JOHOR	21, Jalan Permas 9/12 Bandar Baru Permas Jaya 81750 Masai Johor Bahru, Johor	07-386 2440 07-386 2449 07-386 2790	07-386 2771	Ms Gan Siew Siew - Branch Manager
KOTA BHARU	PT 533/A & 534/A Taman Murni Jalan Pengkalan Chepa 16100 Kota Bharu Kelantan	09-774 3666	09-774 9428	Mr Lim Gim Hoon - Assistant Manager
PENANG	36, Jalan Perusahaan Jelutong Satu 11600 Penang	04-281 5891 04-281 5896	04-281 5850	Ms Kew Miaw Fung - Pharmacist
SARAWAK	AH 106-107, Batu Kawah New Township Jalan Batu Kawa 93250 Kuching, Sarawak	082-451 119 082-459 398	082-578 418	Ms Hui Lai Fong - Branch Manager
SABAH	Lot 24 Karamunsing Warehouse Jalan Sembulan Lama Karamunsing 88000 Kota Kinabalu Sabah	088-270 100 088-270 200	088-270 300	Ms Chan Jit Ngo - Branch Manager
ABio Marketing Sdn Bhd	2, Jalan SS 13/5 47500 Subang Jaya Selangor Darul Ehsan	03-5629 3655 03-5629 3688	03-5636 8025	Mr Then Tat Ying - Divisional Manager SBU II Mr Kelvin Wong - Brand Manager
Apex Pharma Marketing Pte Ltd SINGAPORE	178, Paya Lebar Road #03-01, SINGAPORE 409030	02-6741 3803	02-6749 3839	Ms Loh Pei Juin (AGM)

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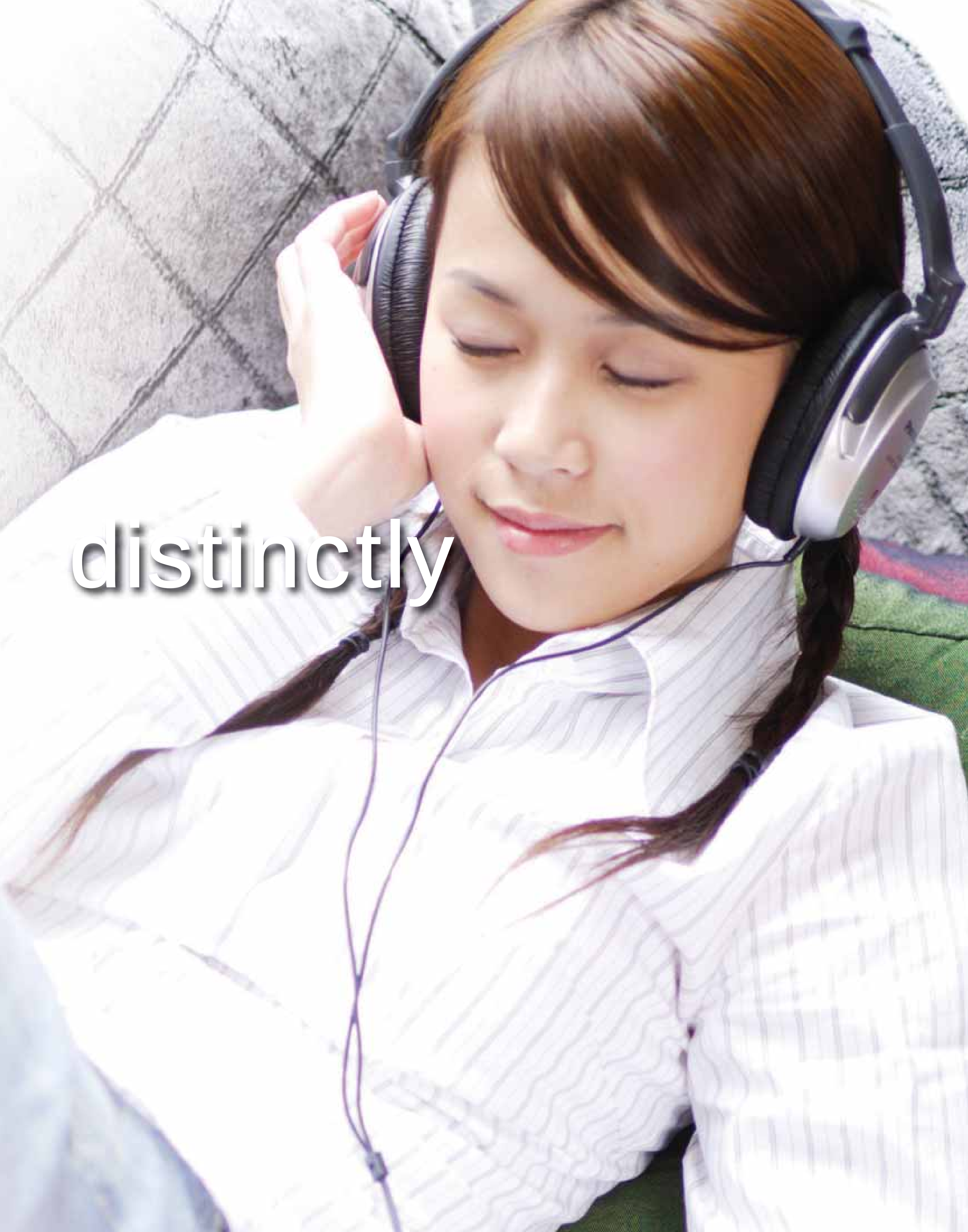
CORPORATE Section

FINANCIAL Statement

Listening

We constantly listen across the board, to our customers, consultants, marketing and business partners in striking a balance of the values we uphold, and through this, we remain committed to our target and goals.


distinctly

Vision & Values

Our Chairman, Kee Tah Peng, founded the Apex Healthcare group in 1962. Although much has changed since then, Apex Healthcare has remained constant to the precepts on which Mr Kee founded the business.

The guiding principles of the business were and are **SERVICE, QUALITY** and **INTEGRITY**. Apex Healthcare fervently believes that all these principles are essential parts of any pharmaceutical and healthcare business. Apex Healthcare takes pride that in all this time and despite its growth into a leading pharmaceutical company in Malaysia, it has never lost sight of these values, which are very much a part of the fabric of everyday operations.

Mission Statement

As a life sciences group, we build on our core values of service, quality and integrity to provide the best in pharmaceutical healthcare, enabling us to restore and enhanced health for all.

Corporate Information

Company Secretaries

Kwong Lien Wah (MIA 3422)
Yeoh Chong Keat (MIA 2736)

Registered Office

134/2 Kompleks Perniagaan Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka
Tel : +606 284 7381
Fax : +606 283 2140

Group Websites

www.apexpharmacy.com
www.xepasp.com
www.apexpharmacy.com.sg
www.luyangroup.com

Principal Bankers

HSBC Bank Malaysia Berhad
777, Jalan Hang Tuah
75300 Melaka

Malayan Banking Berhad
Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

OCBC Bank (Malaysia) Berhad
6, Lorong Hang Jebat
75200 Melaka

United Overseas Bank (Malaysia) Berhad
1, Jalan PM 5
Plaza Mahkota
75000 Melaka

Hong Leong Bank (Malaysia) Berhad
345, Jalan Ong Kim Wee
75300 Melaka

Auditors

Ernst & Young
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

Legal Advisors

Chee Siah Le Kee & Partners
Advocates & Solicitors
105, Taman Melaka Raya
75000 Melaka

Company Secretarial Agents

Archer Corporate Services Sdn Bhd
Suite 11.1A Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Tel : +603 2031 1988
Fax : +603 2031 9788

Share Registrars

PFA Registration Services Sdn Bhd
Level 13 Uptown 1
No. 1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7718 6000
Fax : +603 7722 2311

Stock Exchange Listing

Bursa Malaysia Securities Berhad
Main Board
Stock Code: 7090
Stock Name: AHEALTH

Corporate Structure

Apex Healthcare Berhad
(473108-T)

- **20%** Maritzberg Investments Limited
  - **95%** PT Penta Valent
- **100%** Xepa-Soul Pattinson (Malaysia) Sdn Bhd
  - **100%** Xepa-Soul Pattinson (S) Pte Ltd
- **100%** Apex Pharmacy Marketing Sdn Bhd
- **100%** Apex Pharma Marketing Pte Ltd (formerly known as Apex Pharmacy Marketing Pte Ltd)
- **100%** ABio Marketing Sdn Bhd
- **100%** Avex Pharmaceuticals Pte Ltd
- **100%** Apex Pharmacy Corporate Sdn Bhd
- **100%** Apex Pharmacy International Sdn Bhd
  - **25%** Xiamen Maidiken Science & Technology Co Ltd
    - **95%** Luyan Fujian Group

Directors' Information

Kee Tah Peng @ Hee Teck Peng
Non-Executive Chairman

Kee Tah Peng @ Hee Teck Peng, 77, a Singaporean, was appointed to the Board on 15th February 2000 and as Executive Chairman of the Company on 3rd March 2000. He became Non-executive Chairman of the Company on 1st January 2003. He graduated with a Pharmaceutical Chemist Certificate issued by the Pharmacy Board of New South Wales, Australia from University of Sydney, Australia in 1958. He started his career as a pharmacist with Federal Dispensary, Singapore, a pharmaceutical retailer and wholesaler. In 1962, he left to establish Apex Pharmacy Sdn Bhd and Xepa-Soul Pattinson (Malaysia) Sdn Bhd in Melaka, eventually becoming the Group Managing Director.

He is the father of Dr Kee Kirk Chin. He is deemed to be a substantial shareholder of the Company as he is a substantial shareholder and director of Apex Pharmacy Holdings Sdn Bhd, which holds 39.9% equity in the Company. He does not have any other family relationships with any other director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2007. He has had no convictions for any offences within the past 10 years.

Dr Kee Kirk Chin
Group Managing Director

Dr Kee Kirk Chin, 46, a Singaporean, was appointed to the Board on 15th February 2000, as the Managing Director of the Company on 3rd March 2000 and as a member of the Audit Committee on 24th August 2005. He obtained a Bachelor in Arts with Honours in 1985, a M.B.B. Chir. in 1987, a Master of Arts in 1989 from University of Cambridge, UK and a Master of Business Administration ("MBA") with distinction in 1993 from University of Hull, UK. He is a registered Medical Practitioner with the Singapore Medical Council and the General Medical Council, UK. He began his career as a House Officer with National University Hospital, later joining United MediCorp Pte Ltd as Director of Business Development in 1990, becoming its Chief Executive Officer in 1996. United MediCorp had interests in several healthcare companies in six Asian countries involved in pharmaceuticals, clinical equipment, hospital support services and private hospitals.

He is the son of Kee Tah Peng. He is deemed to be a substantial shareholder of the Company as he is a substantial shareholder and Director of Apex Pharmacy Holdings Sdn Bhd, which holds 39.9% equity in the Company. He does not have any other family relationships with any other director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2007. He has had no convictions for any offences within the past 10 years.

Robert Dobson Millner
Non-Executive Director

Robert Dobson Millner, 57, an Australian, was appointed as a Non-Executive Director of the Company on 23rd February 2000 and is currently chairman of the Nomination Committee. He was a farmer and grazier prior to joining the Board of Washington H Soul Pattinson & Co Limited ("WHSP") in 1984, a company listed on the Australian Stock Exchange with principal activities in properties, coal mining, bulk handling, commercial television, manufacturing, wholesaling and retailing of pharmaceutical products, essences, food colours, perfumes and aromatic chemicals, fruit juices and reconstitution and extrusion of polyethylene. He was appointed Deputy Chairman of WHSP in 1997, becoming its Chairman in 1998. He is also the Chairman of Brickworks Limited, Choiseul Investments Limited, Milton Corporation Limited, New Hope Corporation Limited, and Director on the Boards of Australian Pharmaceutical Industries Limited, Pacific Strategic Investments Limited and S. P. Telemedia Limited, all of which are companies listed on the Australian Stock Exchange. He is a member of the Institute of Company Directors, New South Wales, Australia and a fellow of the Australian Institute of Directors.

He is the Chairman of WHSP, which holds 30.3% equity in the Company. He does not have any family relationship with any other director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2007. He has had no convictions for any offences within the past 10 years.

Jackson Chevalier Yap-Kit-Siong
Non-Executive Director

Jackson Chevalier Yap-Kit-Siong, 56, a Singaporean, was appointed as a Non-Executive Director of the Company on 15th February 2000. He is currently the Chairman of the Remuneration Committee. He graduated with a Bachelor of Engineering with Honours from University of Auckland, New Zealand in 1974 under a Colombo Plan Scholarship.

He worked in various technical and management positions in the oil and gas sector with several multinational corporations before joining United Engineers Limited ("UEL") as Chief Operating Officer. Currently he is the Group Managing Director and Chief Executive Officer of UEL, a company listed on the Singapore Stock Exchange, whose principal activities are in the construction and engineering of buildings, properties and environmental projects.

He is a director of Apex Pharmacy Holdings Sdn Bhd, which holds 39.9% equity in the Company. Save as disclosed above, he does not have any other family relationships with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended three of the four Board Meetings held in the financial year ended 31st December 2007. He has had no convictions for any offences within the past 10 years.

Leong Khai Cheong

Senior Independent Non-Executive Director

Leong Khai Cheong, 57, a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 18th February 2000 and as Senior Independent Non-Executive Director on 24th August 2005. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. He is a Fellow of the Association of Chartered Certified Accountants, UK, a Certified Public Accountant, Singapore, as well as a member of the Malaysian Institute of Accountants. He holds associate membership of the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators. He held various senior positions in George Kent (M) Bhd and United Engineers Limited, which are companies listed on the Stock Exchanges of Malaysia and Singapore respectively. He is currently a director of a private Malaysian company involved in the manufacture and assembly of engineering and other equipment and provision of engineering services for the water industries. He was appointed a director on the board of Ogawa World Berhad on 8th Feb 2007.

He does not have any family relationship with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2007. He has had no convictions for any offences within the past 10 years.

Dr Ahmad Kamal bin Md Alif

Independent Non-Executive Director

Dr Ahmad Kamal bin Md Alif, 61, a Malaysian, was appointed as Independent Non-Executive Director of the Company on 23rd May 2001. He is member of the Audit, Remuneration and Nomination Committees. He graduated with an M.B.B.S. in 1972 from the University of Malaya's Faculty of Medicine and trained as a radiologist at the Royal Free Hospital, London under a Colombo Plan scholarship from 1975 to 1978. He is a Fellow of the Royal College of Radiologists (England) and a member of the Academy of Medicine (Malaysia). He was appointed as Assistant Lecturer, Faculty of Medicine UKM, in 1973, eventually becoming Associate Professor and Head of the Department of Radiology UKM in 1978. He was also the Deputy Dean, Faculty of Medicine, UKM, from 1982 – 1983. He left for private practice in 1984. He was appointed a director on the board of Ogawa World Berhad on 8th Feb 2007.

He does not have any family relationship with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2007. He has had no convictions for any offences within the past 10 years.

Feeling

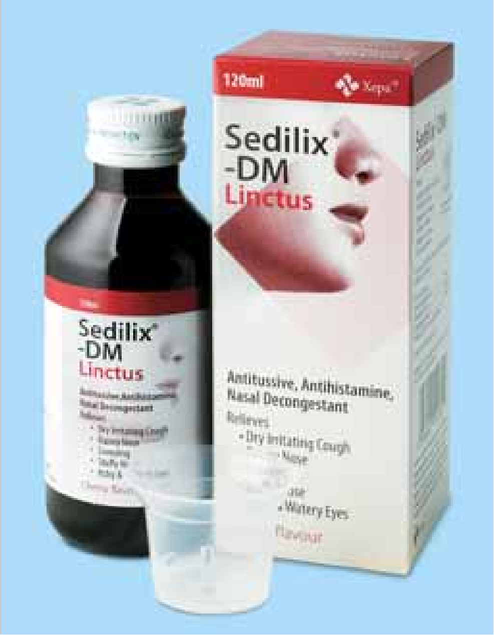
Research and development continues to enhance and develop the pharmaceutical industry, to become a major player for a nation, driven by health awareness and the desire for longevity.


tranquility

Chairman's Statement

For the financial year ended 31st December 2007 Apex Healthcare Berhad ("Apex") Group posted revenue of RM 235.9 million and profit before tax of RM 19.4 million. Revenue grew by 5% and profit before tax by 7%. In March 2007 we welcomed into the Apex fold PT Penta Valent, a long-established Indonesian pharmaceutical distributor which shares many of our key values. We are confident of the prospects and synergies that will obtain from this association. Apex is now well on its way to becoming a truly regional pharma company.

Kee Tah Peng @ Hee Teck Peng
Non-Executive Chairman



Dividend

Given the strong performance, the Board of Directors is pleased to recommend an increased tax-exempt final dividend of 4.5 sen per share for Financial Year 2007. A tax-exempt interim dividend of 4 sen per share in respect of Financial Year 2007 was paid on 16 October 2007; the total dividend in respect of Financial Year 2007 will therefore amount to 8.5 sen tax-exempt.

OPERATIONS REVIEW

Prospects & Industry Trends

2008 will be a year of much uncertainty and it is unclear if the economic slowdown in the United States will carry over to the rest of the world. Generic pharmaceuticals typically cost less and are just as effective as proprietary ethicals. Demand for our products is therefore unlikely to be affected by a slowdown, and may even benefit. Likewise, our distribution operations are low-profile but essential parts of the value chain and we have confidence that they will be little affected by economic conditions.

We note that many developing countries, in particular, India, have developed domestic pharmaceutical powerhouses and we would not be surprised to see them taking the opportunity to make acquisitions of pharmaceutical technology in the context of a weak United States economy and currency. We have a strong balance sheet and good cash flows and we are well-positioned to take advantage of any opportunities that come along in this environment.

Manufacturing

Xepa-Soul Pattinson ("XSP") Sdn Bhd's new high-specification plant for liquid products was commissioned during the fourth quarter of 2007. The new plant cost us RM 26 million over 3 years and will increase the manufacturing capacity and capability of XSP's top-selling cough and cold syrups, creams and eyedrops in 2008 and beyond. The plant will be able to meet all foreseeable increases in technical standards by drug regulatory authorities worldwide.

Bricks, mortar and stainless steel are important, but the heart of our business lies in sound research and the application of scientific method by trained and dedicated people. Being a pharmacist myself, I am therefore pleased to note that M. Ovais and Y. L. Lai, of XSP's research staff, recently authored a well-received scientific paper[1] proposing standards for cross-contamination from topically applied formulations. This is a hitherto little explored area and one in which XSP, as a manufacturer of such formulations, takes great interest.

Footnote:
[1] "Setting Cleaning Validation Acceptance Limits for Topical Formulations" M.Ovais and Lai Yeo Lian, Pharmaceutical, Technology, January 2008."

During the year Xepa-Soul Pattinson launched Mucoprom™, an addition to the Group's market leading range of cough mixtures, Glenix™, a brand of glimepiride for the treatment of Type 2 Diabetes Mellitus and Zynor™, a brand of amlodipine for treating high blood pressure. XSP is keenly pursuing expansion of its export markets and three products were for the first time granted registration in Vietnam during the year. XSP's Tussidex Forte cough mixture was recognized as the top selling cough mixture by the leading pharmacy chain in Singapore.

Marketing & Distribution

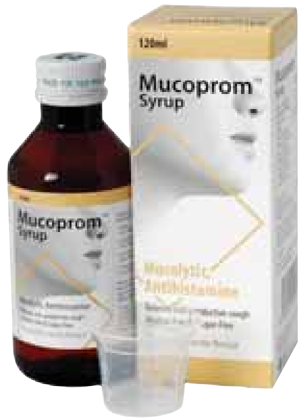
Distribution managed another record year for sales, and we have consolidated our already strong position as Malaysia's No. 1 wholesaler. We have added agency lines and continue to enhance the experience of customers in dealing with Apex Pharma as the preferred supplier by refining controls and focussing on quality in operations.

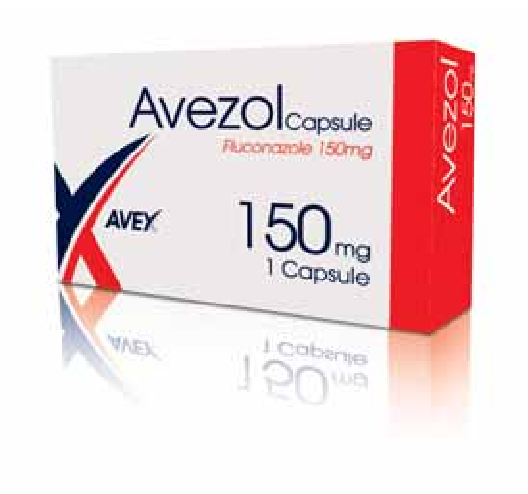
Apex Pharmacy Marketing Pte Ltd was renamed Apex Pharma Marketing Pte Ltd with effect from 28th December 2007 in compliance with the Singapore Ministry of Health's dictates on naming of pharmaceutical companies. All aspects of the business continue to strengthen despite the competitiveness and high costs of the Singapore market. Profits have doubled from the previous year.

On 17th October 2007, Apex Pharmacy Marketing Sdn Bhd and ABio Marketing Sdn Bhd initiated legal proceedings against Sante de Pharma Sdn Bhd for breach of agreements relating to distribution of products. The proceedings are still ongoing. Erring on the side of prudence, full provision has already been made for stocks above and beyond what has been recommended by auditors.

Brands

Apart from the well-established Xepa-Soul brand, the Group has invested resources in developing additional house brands to cover new market segments and product areas. During the year registration was granted to new products and registrations are pending.



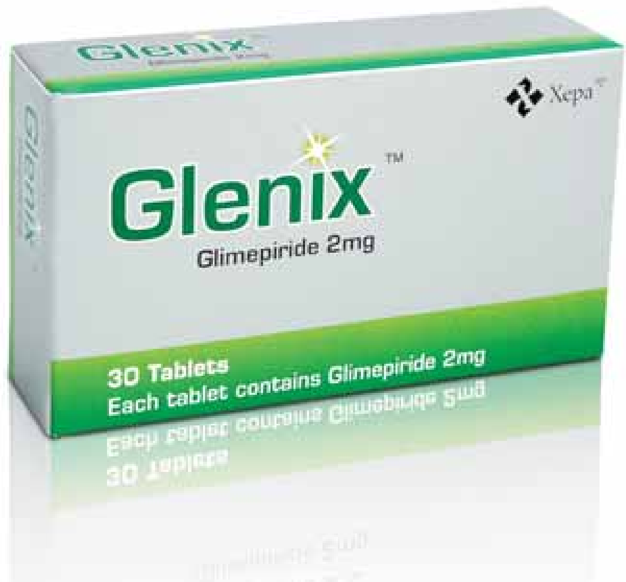


The Avex range complements the Xepa-Soul spectrum of products and targets a different pricing segment of the market. The first Avex products, Avezol (generic fluconazole), Glucon (generic metformin) and Fluovex (generic fluoxetine), will reach the market by the second quarter of 2008. A new 50 gram pack of the Agnesia medicated powder, one of the region's most venerable brands, was launched and is selling well. Our new Pure Health range of nutrapharmaceuticals was launched with three products initially: Spirulina, Eye Beneficein and Food for Thought. We also introduced Axel surgical supports and bandages into the market.

The Group's strategy of developing own brands is gaining traction and the Group will continue to invest resources and effort in this area.

Corporate

A final post-warranty payment of RM 1.8 million relating to the divestment of Apex Pharmacy Sdn Bhd in Financial Year 2005 was received in the second quarter of Financial Year 2007.



Luyan (Fujian) Group

Luyan (Fujian) Group ("LFG"), an associate company of the Group operating in Fujian, China, exceeded budget expectations for the year and made a positive contribution to the financial performance to the Group. LFG now operates 42 retail outlets (38 as at the end of 2006) and 7 distribution depots (6 in 2006) in the province of Fujian. Prospects, while good, depend also on the further advance of the Chinese economy, and continued availability of capital for growth.

LFG contributed RM 1.2 million to the Group's profit at associate company level, a growth of 18% compared to the previous year.

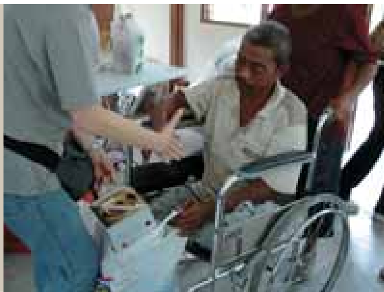
PT Penta Valent

On 30 April 2007, Apex acquired a 20% interest in Maritzberg Investments Limited ("MIL"), which holds 95% of PT Penta Valent ("PV"), for RM 3.8 million. Apex has an option to raise its holding in MIL to 55% within two years of the acquisition. PV is an established pharmaceutical and consumer healthcare distribution company operating from branches throughout Indonesia. The acquisition advances Apex Group's strategy of developing a regional distribution network for pharmaceutical and healthcare products.

I am pleased to report that the management of PV and Apex have been working closely together since the acquisition. PV, which moved its headquarters and main warehouse to new purpose-built facilities during the year, has been drawing upon Apex's experience in distribution and wholesale in Malaysia with a view to applying this to the Indonesian market.

PT Penta Valent Regional Meeting in Jakarta

Xepa Soul-Pattinson's new RM26 million 6,800 sq. m. facility for production of creams and liquids was completed in the fourth quarter of 2007



Mah Meri Tribe in Pulau Carey, Malaysia

Medical Outreach in St Andrews Village, Singapore

Corporate and Social Responsibility

As a manufacturer of essential medicines, we are keenly attuned to the needs of society and the less fortunate and have a strong ethos of supporting the community. During the year, Group companies donated cash and products to a diverse range of worthy causes, including flood relief, a children's home, and university alumni associations.

Medical Outreach in St Andrews Village, Singapore

Board of Directors

There were no changes to the Board of Directors during the year. The Board currently comprises the non-executive chairman, group managing director, two non-executive non-independent directors and two independent directors. The members of the Board attended a course on finance for non-financial personnel on 28th February 2007. This was also a welcome opportunity for directors to meet and interact with management staff of the group who attended the same course.

On behalf of the Board, I thank our staff, principals, suppliers, and business associates for their loyalty and support and look forward to facing the opportunities and challenges of the coming year together.

KEE TAH PENG
Non-Executive Chairman
Apex Healthcare Berhad

Corporate Governance Statement

Narrative Statement on Application of Corporate Governance Principles

The Company is fully committed to good Corporate Governance and fair dealing in all its activities with a view to increasing shareholder value while at the same time acting in the interests of other stakeholders. It subscribes fully to the principles and best practices set out in Part I & II to the Malaysian Code on Corporate Governance. This statement describes the practices of the Company in relation to each of the key principles, and the extent of its compliance with the Code during the financial year. The Board of Directors confirms that aside from any exceptions noted below, the Group has adhered to the Best Practices of the Code during the year under review.

DIRECTORS

1. **The Board**

The Company is led and managed by an experienced Board comprising members with a wide range of expertise and experience in various fields, encompassing accounting, medicine, pharmacy, finance, engineering, construction and other industries. Their expertise, experience and background have resulted in thorough consideration and deliberation of the various issues and matters affecting the Company and the Group from varied perspectives. The Board is answerable directly to shareholders, sets Corporate Objectives and administers a Schedule of Matters exclusively reserved for the Board's decision.

The Board holds regular scheduled meetings four times a year with additional meetings as necessary. The Board delegates certain functions to Board committees, further details of which are given elsewhere in this Annual Report. To engage all Directors fully, members of the Board committees are rotated from time to time.

2. **Board Balance**

Since the retirement in 2006 of a non-executive non-independent Director, the Board has comprised six members: a non-executive chairman, the group managing director, two non-independent non-executive directors and two independent directors. Independent directors therefore comprise one-third the membership of the Board. The current Board is able to effectively carry out its duties.

3. **Supply of Information**

Directors have comprehensive and timely access to information concerning the Company and the Group. Notice is given of Board meetings, and board papers with supporting documents and information covering Group performance and major operational, financial and corporate information, are distributed to the Directors in advance of Board Meetings to ensure that Directors have sufficient time to study them and be prepared for discussion. Comprehensive minutes of Board meetings are maintained and circulated to Directors. Directors may request further explanation, where necessary, in order to be properly briefed before the meeting.

Directors have access to the advice and services of the Company Secretaries and the senior Management staff in the Group, and may seek independent professional advice at the Company's expense in furtherance of their duties.

4. **Appointments to the Board**

Appointments to the Board are based on the recommendations of the Nomination Committee established by the Board on 23rd May 2001, the activities of which are described on page 30. The transparency of appointment decisions is safeguarded by adherence to the recommendation of the Code of Corporate Governance that the Nomination Committee be composed of non-executive directors, and thorough documentation of the deliberations of the Committee in arriving at decisions, which has been practiced from the outset.

The selection criteria with regard to the desired candidate are a combination of competencies, the qualifications specified by the regulatory authorities and relevant experience in the judgment of the Nomination Committee and the Board. It is noted that the 2007 revision to the Code of Corporate Governance specifically recommends that skills, knowledge, expertise, experience, professionalism, integrity and ability to discharge independent non-executive directors' duties (where applicable) be taken into account. These recommendations have been taken into the Terms of Reference of the Nomination Committee. The Committee will also take into account all other information which it judges to be relevant.

The selection also takes into account financial and commercial relationships with the Group to avoid or minimize potential conflicts of interest and to ensure that all shareholders are fairly represented. The Directors therefore bring a broad range of skills and credentials to their deliberations. Each Director brings a high degree of independent judgement and knowledge to the Board's activities.

The Board is cognizant of the need to provide continuing education to Directors. Training needs of Directors are determined and planned collectively in the spirit of continuously maintaining and upgrading the relevance of Directors' skills and knowledge. All Directors have completed the accreditation programme mandated by Bursa Malaysia.

DIRECTORS (Cont'd)

5. Re-election

The procedure for rotational re-election of directors is set out in the Articles of Association of the Company, in particular Article 89.

At least one-third of the Directors are required to retire by rotation each financial year in accordance with the Company's Articles of Association, in particular Article 89. Retiring Directors can offer themselves for re-election at the Annual General Meeting. Directors who are appointed by the Board to fill a casual vacancy are subject to election by shareholders at the Annual General Meeting immediately following their appointments.

The Company's Articles of Association have been amended to provide that executive directors will also be subject to re-election by rotation once every 3 years to comply with sub-paragraph 7.28(2) of Bursa Malaysia's Listing Requirements.

In this Annual Report, details of directors seeking re-election and re-appointment, such as their age, relevant experience, list of directorships, date of appointment, details of participation in Board Committees and whether they are independent directors are disclosed in a separate statement on pages 7 to 9.

DIRECTORS' REMUNERATION

6. The Level and Make-Up of Remuneration

The Board has established a Remuneration Committee, details of which are set out on page 27.

The Remuneration Committee is an integral part of the process by which the company attracts and retains the Directors needed to run the company successfully. The Committee recommends remuneration based on review of the performance of the Company and Group, and makes note of remuneration practices in other public companies in the course of its deliberations.

7. Procedure

Remuneration of directors is reviewed and determined at least once a year by the Remuneration Committee according to the principles set out by the Code on Corporate Governance, which have been taken into the Committee's terms of reference as set out on page 27. The Committee takes into account available information on remuneration packages for directors of companies of comparable size and similar industry when making its recommendations.

8. Disclosure

Details on Directors' remuneration are set out in the Remuneration Committee's report in earning bands on page 28. The remuneration of individual directors are not disclosed as this information is deemed to be private and confidential.

SHAREHOLDERS

9. Dialogue between Companies and Investors

The Board values dialogue with both institutional and individual investors, and recognises that timely and equal dissemination of relevant information should be made to these parties without favouring any one group.

Management meets with shareholders and investment analysts from time to time to explain the group's strategy, performance and major developments and to receive feedback. Concerns of shareholders may be addressed to the Senior Independent Non-Executive Director, currently Leong Khai Cheong, via the Company Secretaries.

10. The Annual General Meeting

The Board welcomes shareholder participation at Annual General Meetings, which are the principal forum for a dialogue with the shareholders, and are an opportunity for the Chairman and Board members to respond directly to shareholder queries and to undertake to provide sufficient clarification on issues and concerns raised by shareholders. Directors are always pleased to have the opportunity to interact with the shareholders during and after Annual General Meetings.

ACCOUNTABILITY AND AUDIT

11. Financial Reporting

The Board strives to present a balanced and meaningful assessment of the Group's financial performance and prospects throughout each financial year, via the Group's annual financial statements, quarterly and half-yearly announcement of results to shareholders, and the Chairman's Statement and other reports in the Annual Report to shareholders. The Board noted with thanks the efforts of the Audit Committee in overseeing the Group's financial reporting processes and quality of its financial reporting.

ACCOUNTABILITY AND AUDIT (Cont'd)

12. Internal Control

The Board acknowledges responsibility for establishing and maintaining a sound system of internal controls, which provides reasonable assurance in ensuring the effectiveness and efficiency of operations and safeguards the assets and interests in compliance with laws and regulations as well as with internal financial administrative procedures and guidelines.

The internal controls comprise risk management and financial, organisational, operational and compliance controls devised to safeguard shareholders' investment and the Group's assets. The Board recognizes that such systems can provide only a reasonable level of, rather than absolute, assurance against misstatement or loss within the practical constraints of operating a going concern. It is recognized that the improvement and refinement of internal control systems, and their adaptation to changing requirements, is an ongoing process.

The Internal Audit function is currently outsourced to Messrs Deloitte Enterprise Risk Services Sdn Bhd, who meet with the Audit Committee several times a year. The Internal and External Auditors are independent of each other.

The Statement on Internal Controls is set out on page 21.

13. Relationship with the Auditors

The Board has established formal and transparent arrangements for maintaining an appropriate relationship with the Company's External Auditors and Internal Auditors, who regularly attend and report at Board Meetings. The Company's External Auditors, Messrs Ernst & Young, have continued to report to members of the Company on their findings, which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. From time to time, the auditors bring matters that require attention to the Audit Committee and Board.

The revised Code on Corporate Governance increases the minimum frequency of meetings between Audit Committee and External Auditors in the absence of executive directors to twice a year. The Board notes that such meetings are already at least as frequent as the Code on Corporate Governance recommends.

STATEMENT ON THE EXTENT OF COMPLIANCE WITH BEST PRACTICES

Aside from the areas set out below, the Board is of the opinion that the Group has addressed and is in compliance with the Best Practices recommended in Part 2 of the Code on Corporate Governance, including the 2007 revisions to the Code.

The Terms of Reference of the Audit and Nomination Committees have been revised to conform with the revised Code.

The 2007 revisions to the Code on Corporate Governance Part 2 BB 1 recommends that all members of the Audit Committee be non-executive directors, a majority of whom should be independent. The Company will be in compliance with this requirement by 31st January 2009, being the deadline established by the Bursa Malaysia Listing Requirements.

The Group values ongoing contact with investors and shareholders, who provide valuable feedback. While the Group does not have a formal programme of communication with shareholders as recommended in Code on Corporate Governance Parts 2 AA 1 and CC 1, senior management normally meets several times during a year with professionals from the investment industry in response to requests or at the initiative of Group management as circumstances may dictate. Management will as appropriate retain the services of professional advisors on investor relations.

Details on Directors' remuneration are disclosed in earning bands. The remunerations of individual directors are not disclosed as this information is deemed to be private and confidential.

ADDITIONAL INFORMATION

1. Non-Audit Fees

The amount of non-audit fees paid and payable by the Group for the financial year ended 31 December 2007 amounted to RM60,000.

2. Material Contracts

There are no material contracts of Apex Healthcare Berhad and its subsidiaries involving any of its directors and major shareholders.

3. Recurrent Related Party Transactions

There are no recurrent related party transactions during the financial year.

4. Sanctions

During the financial year, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

5. Directors' Responsibility for Preparing The Financial Statements

The Directors are required by the Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cashflows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable accounting standards have been followed; and
- Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act 1965. The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

Statement on
Internal Control
For Financial Year Ended December 31, 2007

INTRODUCTION

In accordance with the Malaysian Code on Corporate Governance and paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements, the Board of Directors of Apex Healthcare Berhad is pleased to provide the following statement on the state of internal control of the Group comprising Apex Healthcare Berhad and its subsidiaries for the financial year ended 31 December 2007, which has been prepared in accordance with the "Statement on Internal Control – Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by the Bursa Malaysia.

BOARD RESPONSIBILITY

The Board acknowledges the importance of good practice of corporate governance and is committed to maintaining a sound system of internal control, and for reviewing its effectiveness, adequacy and integrity. The system of internal control is meant to effectively manage business risk towards the achievement of objectives so as to enhance the value of shareholders' investments and to safeguard the Group's assets.

However, the Board recognises that reviewing of the Group's systems of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss. It should be further noted that the cost of the system should not outweigh the benefits.

The Board maintains an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of the Group's business objectives.

The Board of Directors is committed to maintaining a system of internal control in financial, operational and compliance as well as risk management to achieve the following objectives:

- Safeguard assets of the Group and shareholders' interest;
- Identify and manage risks affecting the Group;
- Ensure compliance with regulatory requirements; and
- Ensure operational results are closely monitored and substantial variances are promptly explained.

THE GROUP'S SYSTEM OF INTERNAL CONTROL

The Group has a comprehensive internal control framework that encompasses the Board, the Board and Management Committees with its specific terms of reference and the Executive Management that is empowered and accountable for the performance of their respective operating units. They operate within an organisation structure that is approved by the Board which clearly defines the authority for decision making and reporting and these are further reinforced with formal review, monitoring and reporting procedures that are embedded in each process or activity.

RISK MANAGEMENT

The Board recognises that management of principal risks faced by the Group plays an important and integral part of the Group's daily operations. Principal risks faced by the Group have been identified in a risk assessment exercise. The risk assessment process involved risk identification, prioritisation and formulation of action plans to enhance the internal controls system and better manage the critical risks. The main objective for the risk assessment is to achieve a better management of the risks and controls through formulation of action plans to be implemented and championed by identified members of the management.

The risk assessment process will be carried on an annual basis with the facilitation of the independent internal audit service providers to ensure that significant risks are continuously identified and that instituted controls are appropriate and effectively applied by the Management to achieve acceptable exposures consistent with the Group's risk management practices.

INTERNAL AUDIT

The Group has engaged a professional services firm to provide internal audit services and whose primary responsibility is to independently provide assessment on effectiveness and reliability of the Group's systems of internal control. The independent internal audit service provider advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The reports are submitted to the Audit Committee and risk and control issues are discussed during the Audit Committee meetings. The Audit Committee performs an important oversight role in maintaining the integrity of the Group's system of internal control and it has direct access to both the internal and external auditors.

In assessing the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group, the Audit Committee reports to the Board of Directors its activities, significant results, findings and the necessary recommendations or changes.

Other Key Elements Of Internal Control

Apart from risk management and internal audit, the Group's system of internal controls comprises the following key elements:

- **Organisational structure and responsibility levels**

  The Group has a well defined organisational structure with clear lines of accountability and which has a documented delegation of authority which sets out the decisions that need to be taken and the appropriate authority levels of Management including matters that require Board approval. There are also clear reporting lines up to the Board and its Committees.

- **Management Styles**

  The Board relies on the experienced Managing Director and a management team with relevant industry experience to run and manage the operations and business of the Group in an effective and efficient manner.

  The Managing Director and management practise a "hands on" style in managing the businesses of the Group. This close-to-operations management style enables timely identification and reporting of any significant matters.

- **Reporting and monitoring**

  The Group's management teams carry out monthly monitoring and review of financial results and forecasts for all businesses within the Group, including monitoring and reporting thereon, of performance against the operating plans and annual budgets. All business units prepare annual budgets and business plans, which are in line with the Group's business objectives. The Board approves the business plan and annual budget and reviews the results on a quarterly basis.

  The Board monitors the Group's performance by reviewing its quarterly results and operations and examines the announcement to the Bursa Malaysia Securities Berhad. These are usually reviewed by the Audit Committee before they are tabled to the Board for approval.

- **Policies and procedures**

  Operating Procedures Manuals that set out the policies, procedures and practices to be adopted by all companies in the Group to ensure clear accountabilities and control procedures are in place for all business units.

- **Quality control**

  The Group emphasises continuous effort in maintaining the quality of manufacturing process of its pharmaceutical plant and adheres strictly to health, safety and environmental standards as enforced by the various authorities. The Directors have ensured that safety and health regulations, environmental controls and all other legislations in connection with the industry have been considered and complied with.

- **Succession planning**

  Succession planning for the management staff of the Group is in place and will be reviewed periodically. This is to ensure that business operations and performance will not be adversely affected by the departure of key personnel.

- **Board Commitment**

  The Board recognizes that the Group operates in a dynamic business environment in which the system of internal control must be responsive in order to be able to continuously support its business objective.

The Board is of the view that the present system of internal control is adequate for the Group to manage its risks and to achieve its business objectives. The Board is committed in ensuring that the Group continuously reviews the internal control system so that it is effective in enhancing shareholders' investments and safeguarding the Group's assets.

Report of the
Audit Committee

The Audit Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31st December 2007.

COMPOSITION OF AUDIT COMMITTEE AND ATTENDANCE RECORD

The Audit Committee currently consists of 3 members, the majority of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is an Independent Non-Executive Director and a member of the Malaysian Institute of Accountants. No Alternate Director is appointed as a member of the AC. The Committee met 5 times during the financial year to 31st December 2007 and the attendance record is tabulated as follows:

		Attendance				
Director	**Position**	**27 Feb**	**10 Apr**	**22 May**	**21 Aug**	**20 Nov**
Leong Khai Cheong	Senior Independent Non-Executive Director and Chairman of Audit Committee	✓	✓	✓	✓	✓
Dr Ahmad Kamal bin Md Alif	Independent Non-Executive Director	✓	✓	✓	✓	✓
Dr Kee Kirk Chin	Managing Director	✓	✓	✓	✓	✓

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The Terms of Reference of the Committee have been amended to reflect the 2007 revisions to the Code on Corporate Governance and 2008 revisions to the Bursa Malaysia Listing Requirements, with the exception for the time being of clause 2.1. This is further explained in the Statement of Extent of Compliance with Best Practice on page 19.

TERMS OF REFERENCE OF AUDIT COMMITTEE OF APEX HEALTHCARE BERHAD

1. Constitution

The Board has established a Committee of the Board to be known as the Audit Committee (hereinafter known as the "AC") with authority and duties as specified in these terms of reference.

2. Membership of the Committee

2.1 The AC shall be appointed by the Board from amongst the directors of the Company and shall consist of at least 3 members, a majority of whom shall be independent non-executive directors. A quorum requires the majority of members present to be independent directors.

2.2 At least one member of the AC must be a member of the Malaysian Institute of Accountants. If there is none, one member must either have at least 3 years' working experience and (a) have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act, 1967, or (b) be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or have the following qualifications:-

2.2.1 a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or

2.2.2 at least 7 years' experience being a chief financial officer of a corporation or having a function of being primarily responsible for the management of the financial affairs of a corporation.

2.3 No alternate director shall be appointed as a member of the AC.

2.4 The Board of directors shall review the composition, term of office and performance of the AC and its members at least once every 3 years to determine whether the AC and its members have carried out their duties in accordance with its terms of reference.

2. Membership of the Committee (Cont'd)

2.5 The members of the AC shall elect a Chairman from among their number who shall be an independent non-executive director.

2.6 If a member of the AC resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

2.7 The Company Secretary shall be the Secretary of the AC.

3. Rights of the Audit Committee

3.1 The AC shall, wherever necessary and reasonable for the performance of its duties, in accordance with procedures stipulated by the Board of Directors and at the cost of the Company:

3.1.1 have authority to investigate any matter within its terms of reference;

3.1.2 have the resources that are required to perform its duties;

3.1.3 have full and unrestricted access to any information pertaining to the Company;

3.1.4 have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

3.1.5 be able to obtain independent professional or other advice and to invite outsiders to attend AC meetings where necessary; and

3.1.6 be able to convene meetings with the external auditors, without executive directors being present, at least twice a year and whenever deemed necessary

3.2 The AC shall take into cognizance in its deliberations the Listing Requirements of Bursa Malaysia Securities Berhad and the Code of Corporate Governance, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.

3.3 Where the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad, the AC shall report such matter to Bursa Malaysia Securities Berhad.

4. Duties and Functions of the Audit Committee

4.1 The AC shall review the following and report the same to the Board of directors:-

4.1.1 with the external auditors, the nature and scope of the audit before commencement;

4.1.2 with the external auditors, their evaluation of the system of internal controls;

4.1.3 with the external auditors, the audit reports, management letters and management response;

4.1.4 the assistance given by the Company's employees and officers to the external auditors;

4.1.5 the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

4.1.6 the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

4.1.7 any appraisal or assessment of the performance of members of the internal audit function;

4.1.8 the Quarterly results and year end financial statements, prior to approval by the Board of Directors, focusing particularly on:-

- changes in or the implementation of major accounting policy changes;
- the going concern assumption;
- significant adjustments arising out of audit and unusual events; and
- compliance with accounting standards and other legal requirements.

4.1.9 any related party transaction and conflict of interest situation that may arise within the listed issuer or group including any transaction, procedure or course of conduct that raises questions of management integrity;

4.1.10 any letter of resignation from the external auditors;

4.1.11 whether there is reason (supported by grounds) to believe that the external auditors is not suitable for re-appointment.

4. Duties and Functions of the Audit Committee (Cont'd)

4.2 The AC shall review any matters concerning the appointment and dismissal of both the internal and external auditors, their audit fees and render its recommendations accordingly to the Board of Directors.

4.3 The AC shall approve any appointment or termination of senior staff members of the internal audit function; take cognizance of resignations of internal audit staff and provide resigning staff member an opportunity to submit reasons for resigning.

4.4 The AC shall consider the major findings of internal investigations and management's response.

4.5 The AC shall verify that the allocation of options pursuant to the Apex Healthcare Berhad Employee Share Option Scheme, where any such Scheme is in operation, is in compliance with criteria that have been disclosed to employees as required under the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

4.6 The head of internal audit should report directly to the AC. For administrative and operational matters, the internal audit function will liaise with the Managing Director.

4.7 The chairman of the AC should engage on a continuous basis with senior management in order to be kept informed of matters affecting the company.

4.8 Any other duties as may be assigned by the Board of Directors from time to time.

5. Attendance at Meetings

5.1 The Managing Director, Financial Controller, the head of internal audit and a representative of the external auditors shall normally attend meetings.

5.2 Other Board members and employees may also attend AC meetings only at the AC's invitation, specific to the relevant meeting.

6. Procedure of Audit Committee

6.1 The AC shall regulate its own procedure, in particular:

- the calling of meetings;
- the notice to be given of such meetings;
- the voting and proceedings of such meetings;
- the keeping of minutes; and
- the custody, production and inspection of such minutes.

6.2 The AC shall meet at least 4 times a year. The AC shall meet with the external auditors, without the presence of executive directors, at least twice a year. The external auditors may request a meeting if they consider that one is necessary. The AC shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the listed issuer, whenever deemed necessary.

6.3 The Secretary shall circulate the minutes of meetings of the AC to all members of the Board of Directors.

6.4 The AC shall prepare a report to the Board that provides details of the activities of the AC, number of AC meetings held in a year, details of attendance of directors at such meetings and details of relevant training attended by each director, and a summary of internal audit activities for inclusion in the Company's Annual Report.

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31st December 2007, the Audit Committee in the discharge of its duties and functions carried out the following activities:

- Reviewed internal procedures on management of insurance and trademarks;
- Met with the Internal Auditors, Messrs Deloitte Enterprise Risk Services Sdn Bhd, to review the Internal Audit Plan for Financial Year 2007;
- Reviewed the draft Statement on Internal Controls for inclusion in the 2006 Annual Report;
- Reviewed drafts of quarterly and year-end financial statements prior to approval for release to Bursa Malaysia Securities Berhad by the Board of Directors;
- Considered the re-appointment of External Auditors, Messrs Ernst & Young ("E & Y") of the Company for financial year 2007;
- Considered and approved the appointment of E & Y as external auditors for the Company's subsidiaries in Singapore;
- Reviewed the Internal Auditors' reports on the Group's subsidiaries;
- Reviewed the report of the Internal Auditors and financial reporting mechanism of the Group's associated company in China;
- Reviewed the Audit Plans for the Company and the Group with E & Y; and
- Reviewed the assistance provided by management to External Auditors.

INTERNAL AUDIT FUNCTION

The Audit Committee in particular is assisted by the outsourced Internal Auditors, Deloitte Enterprise Risk Services Sdn Bhd, who undertake the audit and compliance functions of the Group in line with the Internal Audit Plan.

This summary is included as required by Listing Requirements to provide a summary of the activities of the internal audit function or activity.

In accordance with the Terms of Reference of the Audit Committee, the Internal Auditors report functionally to the Chairman of the Audit Committee and administratively to the Group Managing Director.

During the financial year ended 31st December 2007, the Internal Auditors undertook the following activities:

- Attended and reported to the Audit Committee at four of five Audit Committee meetings held during Financial Year 2007;
- Reviewed the pre-project management and project management in relation to the construction of the new wet block at Xepa-Soul Pattinson Malaysia Sdn Bhd ("XSPM");
- Reviewed the procurement process of Apex Pharmacy Marketing Sdn Bhd ("APM"), and inventory management at selected depots;
- Undertook a risk assessment workshop on the Group subsidiaries and associated companies, highlighting medium risk areas at the request of the Audit Committee; and
- Followed up earlier audits of product and information safeguards at XSPM, inventory, store and warehouse management of APM and Apex Pharma Marketing Pte Ltd, and software vendor selection process for APM.

Report of the
Remuneration Committee

The Remuneration Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31st December 2007.

COMPOSITION OF REMUNERATION COMMITTEE AND ATTENDANCE RECORD

The Remuneration Committee consists of 3 members, the majority of whom are Independent Non-Executive Directors. The committee was established on 23rd May 2001. During the year under review, meetings were held on Wednesday 28th February 2007 and Wednesday 21st November 2007, and the attendance record is tabulated as follows :

		Attendance	
Director	**Position**	**28 February**	**21 November**
Jackson Chevalier Yap-Kit-Siong	Non-Executive Director & Chairman of Remuneration Committee	✓	✘
Leong Khai Cheong	Senior Independent Non-Executive Director and Chairman of Audit Committee	✓	✓
Dr Ahmad Kamal bin Md Alif	Independent Non-Executive Director	✓	✓

TERMS OF REFERENCE OF REMUNERATION COMMITTEE

1 Constitution

The Board has established a Committee of the Board to be known as the Remuneration Committee (hereinafter referred to as the "RC") with authority and duties as specified in these Terms of Reference.

2 Membership

2.1 The RC shall be appointed by the Board from amongst the directors of the Company and shall consist wholly or mainly of non-executive directors. A quorum shall be any 2 members.

2.2 The members of the RC shall elect a Chairman from among their members.

2.3 The Company Secretary shall be the Secretary of the RC.

3 Guiding Principles

3.1 The levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully. The component parts of remuneration should be structured so as to link rewards to corporate and individual performance, in the case of executive directors.

3.2 There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.

3.3 The Committee shall take into cognizance in its deliberations the Listing Requirements of Bursa Malaysia Securities Berhad and the Code of Corporate Governance, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.

4 Duties and Functions of the Committee

The RC is authorized by the Board to:

4.1 Review and determine, at least once annually, adjustments to the remuneration package, including benefits in kind, of each Executive Director, taking into account the performance of the individual, the inflation price index, and where necessary, information from independent sources on remuneration packages for equivalent jobs in the industry.

4.2 Review and determine the quantum of performance related bonuses, benefits-in-kind and Employee Share Options, if available, to be given to the Executive Directors.

4.3 Review and execute the renewal of the Consulting Agreement with the Chairman.

4.4 Consider and execute the renewal of the service contracts of Executive Directors as and when due, as well as the service contracts and remuneration package for newly appointed Executive Director(s) prior to their appointment.

4.5 Execute any other duties as may be assigned by the Board of Directors from time to time.

ACTIVITIES OF THE REMUNERATION COMMITTEE

During the year under review the Remuneration Committee in discharge of its duties carried out the following activities:

- Reviewed remuneration package of senior management so as to determine the annual increments and performance bonus of the Group's Senior Management with respect to financial year 2006;
- Reviewed and approved the Consultancy agreement between the Company and the Chairman;
- Considered and made recommendations on Service Agreements with senior executives of the Group's subsidiaries; and
- Considered and made recommendations on the Directors' fees and allowances for financial year 2007.

DIRECTORS' REMUNERATION

The remuneration of the Directors is presented in bands of RM 50,000 in the table below:

Remuneration Band	Non-Executive Directors	Executive Directors
Below RM50,000	2	-
RM50,001 to RM100,000	2	-
RM200,001 to RM250,000	1	-
RM750,001 to RM800,000	-	1

In addition, the remuneration is analyzed into these categories as follows:

Analysis of Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Fees	20,000	150,000	170,000
Salaries & other emoluments	556,414	222,000	778,414
Bonus	149,011	-	149,011
Pension costs – defined contribution plans	69,942	-	69,942
Benefits in kind	31,381	43,122	74,503
	826,748	415,122	1,241,870

Report of the
Nomination Committee

The Nomination Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31st December 2007.

COMPOSITION OF NOMINATION COMMITTEE AND ATTENDANCE RECORD

The Nomination Committee consists of 3 members, the majority of whom are Independent Non-Executive Directors. The committee was established on 23rd May 2001 and during the year under review met on Wednesday 28th February 2007 and Wednesday 21st November 2007. All members were present at these meetings.

		Attendance	
Director	**Position**	**28 February**	**21 November**
Robert Dobson Millner	Non-Executive Director & Chairman of Nomination Committee	✓	✓
Leong Khai Cheong	Senior Independent Non-Executive Director and Chairman of Audit Committee	✓	✓
Dr Ahmad Kamal bin Md Alif	Independent Non-Executive Director	✓	✓

TERMS OF REFERENCE OF NOMINATION COMMITTEE

1. Constitution

The Board has established a Committee of the Board to be known as the Nomination Committee (hereinafter referred to as the "NC") with authority and duties as specified in these Terms of Reference.

2. Membership

2.1 The NC shall be appointed by the Board from amongst the directors of the Company and shall comprise exclusively of non-executive directors, the majority of whom shall be independent. A quorum shall be any 2 members.

2.2 The members of the NC shall elect a Chairman from among their members.

2.3 The Company Secretary shall be the Secretary of the NC.

3. Principle

3.1 The ultimate decision on the appointment of directors to the Board is the responsibility of the Board of Directors after due consideration of the recommendations of the NC.

3.2 The NC shall take into cognizance in its deliberations the Listing Requirements of Bursa Malaysia Securities Berhad and the Code of Corporate Governance, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.

4. Duties and Functions of the Committee

The NC shall:

4.1 Assess and recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board, taking into consideration candidates'

- Skills, knowledge, expertise and experience;
- Professionalism;
- Integrity; and
- In the case of candidates for independent directors, ability to discharge the responsibilities and functions expected of independent directors.

4.2 Consider in making its recommendations, candidates for directorship proposed by the Managing Director and, within the bounds of practicality, by any other senior executive, director or shareholder.

4.3 Assess the effectiveness of the board as a whole, the committees of the Board, individual directors including independent non-executive directors, as well as the chief executive officer, and the Company Secretaries through a process to be implemented by the Board. All assessments and evaluations carried out by the nominating committee in the discharge of all its functions should be properly documented.

4. Duties and Functions of the Committee (Cont'd)

4.4 Recommend to the Board directors to fill the seats on other board committees.

4.5 Review annually the Board's required mix of skills and experience and other qualities, including core competencies which non-executive directors bring to the Board.

4.6 Determine appropriate training for Directors, review the fulfillment of such training, and disclose details in the annual report as appropriate, in accordance with Bursa Malaysia Securities Berhad's guidelines on Continuing Education.

4.7 Consider and recommend the Directors for re-election at each Annual General Meeting.

4.8 Undertake any other duties as may be assigned by the Board of Directors from time to time.

ACTIVITIES OF THE NOMINATION COMMITTEE

The activities of the Nomination Committee during Financial Year 2007 included:

- Assessment of the effectiveness and performance of the Board and Board Committees, Directors, and Company Secretaries for Financial Year 2006;
- Deliberated which Directors would stand for re-election and re-appointment at the 2007 Annual General Meeting of shareholders; and
- Reviewed the Composition of the Audit Committee with regard to the 2007 revisions to the Code on Corporate Governance.

ATTENDANCE RECORD AT BOARD MEETINGS IN FINANCIAL YEAR 2007

		Attendance			
Director	**Position**	**28 Feb**	**23 May**	**22 Aug**	**21 Nov**
Kee Tah Peng @ Hee Teck Peng	Non-Executive Chairman	✓	✓	✓	✓
Dr Kee Kirk Chin	Managing Director	✓	✓	✓	✓
Robert Dobson Millner	Non-Executive Director and Chairman of Nomination Committee	✓	✓	✓	✓
Jackson Chevalier Yap-Kit-Siong	Non-Executive Director Chairman of Renumeration Committee	✓	✓	✓	✘
Leong Khai Cheong	Senior Independent Non-Executive Director, Chairman of Audit Committee	✓	✓	✓	✓
Dr Ahmad Kamal bin Md Alif	Independent Non-Executive Director	✓	✓	✓	✓

Financial Statement

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the Group consist of the manufacturing, distribution, marketing and retailing of pharmaceutical products. Other activities include property rental and management and the licensing of Apex Pharmacy trademark.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Net profit for the year	16,913,043	9,496,784

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the recognition of the deferred gain from its previously disposed subsidiary company and the gain arising from the fair valuation of its investment properties during the financial year as disclosed in Note 6 and Note 8 respectively to the financial statements.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2006 were as follows:

	RM
In respect of the financial year ended 31 December 2006 as reported in the Directors' report of that year:	
Final dividend of 5% less 27% taxation, paid on 22 June 2007	2,736,533
In respect of the financial year ended 31 December 2007:	
Interim dividend of 4% tax exempt, paid on 16 October 2007	2,998,940
	5,735,473

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2007 of 4.5 sen per share amounting to RM3,373,808 on 74,973,500 ordinary shares will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

DIRECTORS

The names of the Directors of the Company in office since the date of the last Directors' Report and at the date of this report are:

Kee Tah Peng @ Hee Teck Peng

Dr Kee Kirk Chin

Jackson Chevalier Yap-Kit-Siong

Leong Khai Cheong

Robert Dobson Millner

Dr Ahmad Kamal bin Md Alif

Kee Tah Peng @ Hee Teck Peng retires pursuant to Section 129(2) of the Companies Act, 1965 and seeks re-appointment as Director under Section 129(6) of the Act to hold office until the next Annual General Meeting of the Company.

In accordance with Article 89 of the Company's Articles of Association, Robert Dobson Millner and Dr Ahmad Kamal bin Md Alif retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Group or of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, required to be disclosed by Section 169(8) of the Companies Act, 1965 except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company were as follows:

	Number of Ordinary Shares of RM1 Each			
	1.1.2007	**Acquired**	**Disposed**	**31.12.2007**
Direct interest				
Kee Tah Peng @ Hee Teck Peng	205,000	-	-	205,000
Dr Kee Kirk Chin	600,000	-	-	600,000
Jackson Chevalier Yap-Kit-Siong	15,000	-	-	15,000
Leong Khai Cheong	15,000	-	-	15,000
Robert Dobson Millner	15,000	-	-	15,000
Dr Ahmad Kamal bin Md Alif	210,000	-	-	210,000
Indirect interest				
Kee Tah Peng @ Hee Teck Peng	27,348,006	2,728,155	-	30,076,161
Dr Kee Kirk Chin	27,348,006	2,698,155	-	30,046,161

Kee Tah Peng @ Hee Teck Peng and Dr Kee Kirk Chin by virtue of their interests in shares in the Company are also deemed interested in shares of all the subsidiary companies of the Company to the extent the Company has an interest.

No Directors in office at the end of the financial year held any interest in shares and debentures of related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

SIGNIFICANT EVENT

Significant event during the year is disclosed in Note 34 to the financial statements.

SUBSEQUENT EVENT

Details of a subsequent event are disclosed in Note 35 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 18 April 2008.

KEE TAH PENG @ HEE TECK PENG | **DR KEE KIRK CHIN**

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, KEE TAH PENG @ HEE TECK PENG and DR KEE KIRK CHIN, being two of the Directors of APEX HEALTHCARE BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 37 to 88 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 18 April 2008.

KEE TAH PENG @ HEE TECK PENG

DR KEE KIRK CHIN

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, KWONG LIEN WAH, the Officer primarily responsible for the financial management of APEX HEALTHCARE BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 88 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **KWONG LIEN WAH**
at Melaka in Malaysia on 18 April 2008.

KWONG LIEN WAH

Before me,

Report of the Auditors
to the Members of Apex Healthcare Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 37 to 88. These financial statements are the responsibility of the Company's Directors.

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

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

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

    (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and

    (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Yap Seng Chong
No. 2190/12/09 (J)
Partner

Kuala Lumpur, Malaysia
18 April 2008

Income Statements

for the year ended 31 December 2007

	NOTE	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Revenue	3	235,937,527	224,287,876	11,814,412	9,643,120
Cost of sales/services	4	(179,890,932)	(171,531,814)	(1,420,275)	(1,309,008)
Gross profit		56,046,595	52,756,062	10,394,137	8,334,112
Other income	5	2,383,919	2,122,226	1,632,040	1,382,636
Administrative expenses		(11,555,653)	(11,249,483)	(1,311,242)	(1,202,812)
Selling and marketing expenses		(29,474,447)	(24,815,282)	(2,700)	(62,116)
Other expenses		(437,404)	(538,897)	(150,336)	(553,478)
Deferred gain from previously disposed subsidiary company	6	1,825,449	-	1,825,449	-
Operating profit		18,788,459	18,274,626	12,387,348	7,898,342
Finance costs	7	(621,370)	(1,075,349)	-	-
Share of results of associated companies		1,238,233	1,016,313	-	-
Profit before tax	8	19,405,322	18,215,590	12,387,348	7,898,342
Income tax expense	11	(2,492,279)	(4,833,414)	(2,890,564)	(1,528,574)
Net profit for the year		16,913,043	13,382,176	9,496,784	6,369,768
Attributable to:					
Equity holders of the Company		16,913,043	13,382,176	9,496,784	6,369,768
Basic earnings per share (sen)	12	22.56	19.49		
Diluted earnings per share (sen)	12	22.56	19.49		
Net dividends per share in respect of the year	13	7.65	7.20		

The accompanying notes form an integral part of the financial statements.

Balance Sheets
as at 31 December 2007

	NOTE	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	62,707,742	48,477,702	130,187	158,747
Investment properties	15	3,900,000	2,913,374	-	-
Prepaid land lease payments	16	7,116,941	7,198,350	-	-
Intangible assets	17	1,626,584	1,835,046	-	-
Investment in subsidiary companies	18	-	-	28,553,751	28,658,022
Investment in associated companies	19	15,334,827	10,226,504	3,870,090	-
		90,686,094	70,650,976	32,554,028	28,816,769
Current assets					
Inventories	20	40,575,486	38,406,848	-	-
Trade and other receivables	21	62,456,736	64,295,840	65,756,056	60,581,263
Tax recoverable		127,087	170,751	-	14,656
Deposits with licensed banks	22	6,800,000	8,000,000	1,800,000	7,000,000
Cash and bank balances	22	4,875,962	6,181,726	601,996	1,009,278
		114,835,271	117,055,165	68,158,052	68,605,197
TOTAL ASSETS		205,521,365	187,706,141	100,712,080	97,421,966

Balance Sheets
as at 31 December 2007 (Cont'd)

	NOTE	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	23	74,973,500	74,973,500	74,973,500	74,973,500
Share premium	23	5,305,396	5,305,396	5,305,396	5,305,396
Other reserves	24	3,761,798	3,780,521	-	-
Retained earnings	25	49,490,081	38,312,511	19,649,783	15,888,472
TOTAL EQUITY		133,530,775	122,371,928	99,928,679	96,167,368
Non-current liabilities					
Borrowings	26	14,633,445	5,484,049	-	-
Deferred tax liabilities	27	4,306,606	3,909,438	-	-
		18,940,051	9,393,487	-	-
Current liabilities					
Borrowings	26	10,848,037	13,001,623	-	-
Trade and other payables	28	41,932,193	41,950,603	760,441	1,254,598
Current tax payable		270,309	988,500	22,960	-
		53,050,539	55,940,726	783,401	1,254,598
TOTAL LIABILITIES		71,990,590	65,334,213	783,401	1,254,598
TOTAL EQUITY AND LIABILITIES		205,521,365	187,706,141	100,712,080	97,421,966

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

	Note	Share Capital RM	← Non-Distributable Revaluation Reserve RM	Foreign Currency Translation Reserve RM	Share Premium RM →	Distributable Retained Earnings RM	Total RM
At 1 January 2006		67,649,200	3,747,048	106,050	985,600	29,850,372	102,338,270
Net loss not recognised in income statement:							
- currency translation differences		-	-	(72,577)	-	-	(72,577)
Net profit for the year		-	-	-	-	13,382,176	13,382,176
Dividends	13	-	-	-	-	(4,920,037)	(4,920,037)
Issue of shares							
- private placement	23	6,600,000	-	-	4,158,000	-	10,758,000
- exercise of options under the Employee Share Option Scheme	23	724,300	-	-	452,852	-	1,177,152
Share issue expense	23	-	-	-	(291,056)	-	(291,056)
At 31 December 2006		74,973,500	3,747,048	33,473	5,305,396	38,312,511	122,371,928
Net loss not recognised in income statement:							
- currency translation differences		-	-	(27,623)	-	-	(27,623)
Net profit for the year		-	-	-	-	16,913,043	16,913,043
Dividends	13	-	-	-	-	(5,735,473)	(5,735,473)
Reversal of deferred tax on the abolishment of Real Property Gains Tax		-	8,900	-	-	-	8,900
At 31 December 2007		74,973,500	3,755,948	5,850	5,305,396	49,490,081	133,530,775

The accompanying notes form an integral part of the financial statements

Company Statement of Changes in Equity

for the year ended 31 December 2007

	Note	Share Capital RM	Non-Distributable Share Premium RM	Distributable Retained Earnings RM	Total RM
At 1 January 2006		67,649,200	985,600	14,438,741	83,073,541
Net profit for the year		-	-	6,369,768	6,369,768
Dividends	13	-	-	(4,920,037)	(4,920,037)
Issue of shares					
- exercise of options under the Employee Share Option Scheme	23	724,300	452,852	-	1,177,152
- private placement	23	6,600,000	4,158,000	-	10,758,000
Share issue expense	23	-	(291,056)	-	(291,056)
At 31 December 2006		74,973,500	5,305,396	15,888,472	96,167,368
Net profit for the year		-	-	9,496,784	9,496,784
Dividends	13	-	-	(5,735,473)	(5,735,473)
At 31 December 2007		74,973,500	5,305,396	19,649,783	99,928,679

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements
for the year ended 31 December 2007

	NOTE	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		19,405,322	18,215,590	12,387,348	7,898,342
Adjustments for :					
Depreciation of property, plant and equipment		4,596,537	4,317,579	43,832	36,585
Amortisation of intangible assets		268,462	275,282	-	-
Amortisation of prepaid land lease payments		81,409	81,123	-	-
Write-off of intangible assets		-	35,181	-	-
Property, plant and equipment written off		27,379	13,515	3	2
Interest expense		621,370	1,075,349	-	-
Interest income		(152,202)	(137,060)	(1,632,040)	(1,382,448)
Dividend income		-	-	(10,450,000)	(8,380,000)
Impairment loss in a subsidiary company		-	-	104,271	417,674
Fair value adjustment of investment properties		(986,626)	-	-	-
Deferred gain from previously disposed subsidiary company		(1,825,449)	-	(1,825,449)	-
Share of results of associated companies		(1,238,233)	(1,016,313)	-	-
Negative goodwill arising on acquisition	18(a)	-	(1,006,940)	-	-
Net gain on disposal of property, plant and equipment		(284,383)	(179,412)	-	(188)
Allowance for doubtful debts		3,103,275	1,127,727	-	-
Allowance for doubtful debts written back		(751,688)	(953,596)	-	-
Bad debts recovered less written offs		(411,004)	-	-	-
Bad debts written off less recoveries		-	5,221	-	-
Inventories written off less write backs		1,170,942	177,380	-	-
Inventories written down		133,056	396,694	-	-
Unrealised foreign exchange loss		31,024	57,266	-	75,700
Operating profit/(loss) before working capital changes		23,789,191	22,484,586	(1,372,035)	(1,334,333)
Inventories		(3,472,636)	5,983,491	-	-
Receivables		(132,503)	(4,587,782)	(5,174,793)	(11,435,691)
Payables		661,508	(9,829,580)	185,761	120,200
Cash generated from/(used in) operations		20,845,560	14,050,715	(6,361,067)	(12,649,824)
Tax paid		(2,760,738)	(3,674,438)	(44,440)	(106,175)
Tax refund		-	-	12,992	-
Dividends received		-	-	7,628,500	6,915,600
Net cash generated from/(used in) operating activities		18,084,822	10,376,277	1,235,985	(5,840,399)

	NOTE	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition/subscription of shares in subsidiary companies paid by cash		-	-	-	(80,854)
Net cash inflow for the acquisition of a subsidiary company	18(a)	-	1,579,152	-	-
Dividends from associated company		-	573,603	-	-
Acquisition of associated company paid by cash		(3,870,090)	-	(3,870,090)	-
Purchases of property, plant and equipment	(a)	(18,894,717)	(9,605,363)	(15,275)	(54,173)
Purchases of intangible assets		(60,000)	(141,681)	-	-
Proceeds from settlement of the balance of cash consideration on previously disposed subsidiary company	6	1,145,531	-	1,145,531	-
Proceeds from disposal of property, plant and equipment		325,144	192,107	-	189
Interest received		152,202	137,060	1,632,040	1,382,448
Net cash (used in)/generated from investing activities		(21,201,930)	(7,265,122)	(1,107,794)	1,247,610
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		-	11,935,152	-	11,935,152
Payment of share issue expenses		-	(291,056)	-	(291,056)
Drawdown of term loans		12,961,523	2,907,872	-	-
Repayment of term loans		(1,708,115)	(6,027,192)	-	-
Dividends paid		(5,735,473)	(4,920,037)	(5,735,473)	(4,920,037)
Interest paid		(621,370)	(1,075,349)	-	-
Trade financing facilities (repaid)/received		(3,822,000)	1,925,806	-	-
Repayment of hire purchase and lease financing		(114,108)	-	-	-
Net cash generated from/(used in) financing activities		960,457	4,455,196	(5,735,473)	6,724,059
Net (decrease)/increase in cash and cash equivalents		(2,156,651)	7,566,351	(5,607,282)	2,131,270
Cash and cash equivalents at the beginning of the year		9,708,910	2,215,136	8,009,278	5,878,008
Currency translation differences		(27,623)	(72,577)	-	-
Cash and cash equivalents at the end of the year	22	7,524,636	9,708,910	2,401,996	8,009,278

Note (a):

Purchases of property, plant and equipment during the year were fully paid for in cash.

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2007

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is 134/2, Kompleks Perniagaan Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the Group consist of the manufacturing, distribution, marketing and retailing of pharmaceutical products. Other activities include property rental and management and the licensing of Apex Pharmacy trademark.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 January 2007 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis, except for freehold land and buildings included within property, plant and equipment and investment properties that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

(a) Subsidiary Companies and Basis of Consolidation

(i) Subsidiary Companies

Subsidiary companies are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company.

Subsidiary companies are consolidated using the acquisition method of accounting except for certain subsidiary companies, as disclosed in Note 18, which were consolidated prior to 1 January 2002 using the merger method of accounting in accordance with Malaysian Accounting Standard No. 2, Accounting for Acquisitions and Mergers, the generally accepted accounting principles prevailing at that time. These subsidiary companies continue to be consolidated using the merger method of accounting. In the Company's separate financial statements, the cost of investment in subsidiary companies continues to be stated at the nominal value of the shares issued as consideration as the fair value of the shares at their respective dates of acquisition could not be determined with reasonable certainty.

(i) Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition or up to the effective date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition costs and these values is reflected as goodwill or negative goodwill as appropriate. Goodwill on consolidation is stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f). Negative goodwill is recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of Significant Accounting Policies (Cont'd)

(a) Subsidiary Companies and Basis of Consolidation (Cont'd)

(ii) Basis of Consolidation (Contd.)

(ii) Under the merger method of accounting, the results of the subsidiary companies are presented as if the companies had been combined throughout the current and previous financial years. The difference between the cost of acquisition over the nominal value of the share capital and share premium of the subsidiary companies are written off against reserves.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any balance of goodwill and exchange differences which were not previously recognised in consolidated financial statements.

(b) Associated Companies

Associated companies are entities in which the Group exercises significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investments in associated companies are carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associated company. The Group's share of the net profit or loss of the associated company is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associated company, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

Goodwill relating to an associated company is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any long-term interests that, in substance, form part of the Group's net investment in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investment in associated companies are stated at cost less impairment losses.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of Significant Accounting Policies (Cont'd)

(c) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Research and development costs

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

Brands

Brands were acquired through business combinations. The useful life of brands is estimated to be indefinite because based on the current market share of the brands, management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash flows to the Group. Brands are stated at cost less any impairment losses. They are not amortised but tested for impairment annually or more frequently when indicators of impairment are identified.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of Significant Accounting Policies (Cont'd)

(d) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at market value, based on valuations once in every five years by independent valuers, less subsequent amortisation/depreciation and impairment losses. All other property, plant and equipment and additions to land and buildings in the period between valuations are stated at historical cost less accumulated depreciation and impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2.2(f).

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.

Freehold land is not amortised as it has an infinite life. Building and capital-in-progress are also not depreciated until they are ready for their intended use. Depreciation of the other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings and shop units	2%
Plant, machinery and factory equipment	10-15%
Furniture, fittings and equipment	10-33 1/3%
Motor vehicles	20%

The residual values, useful life 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(e) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of Significant Accounting Policies (Cont'd)

(f) Impairment of Non-financial Assets

The carrying amounts of assets, other than investment property and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount to the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for asa revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Inventories

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

Cost is determined using the standard cost and the weighted average methods. The cost of finished goods and work in progress consists of direct materials, direct labour, direct charges and appropriate proportion of overheads. Standard cost approximates actual cost calculated on a weighted average basis.

Net realisable value is the estimate of selling price in the ordinary course of business, less the cost of completion and selling expenses.

(h) Financial Instruments

Financial instruments recognised on the balance sheet:

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains or losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of Significant Accounting Policies (Cont'd)

(h) Financial Instruments (Cont'd)

Financial instruments recognised on the balance sheet: (Cont'd)

(i) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short term highly liquid investments that are readily convertible to known amount of cash and are subject to insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end. Bad debts are written off during the year in which they are identified.

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest Bearing Borrowings

Interest bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

(v) Equity Instrument

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Financial instruments not recognised on the balance sheet:

The Group is a party to financial instruments which comprise foreign currency forward contracts. These instruments are not recognised in the financial statements on inception.

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items. Gains and losses on contracts which are no longer designated as hedges are included in the income statement.

(i) Operating Leases

Leases of assets under which the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement in the year in which they are incurred.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Leasehold land is amortised in equal instalments over the periods of the respective leases that range from 78 to 92 years.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of Significant Accounting Policies (Cont'd)

(j) Capitalisation of Borrowing Costs

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(k) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(l) Provisions for Liabilities

Provisions for liabilities are recognised when the Group or the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provosions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

(m) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). The Group's foreign subsidiary companies in the Republic of Singapore make contributions to their country's Central Provident Fund ("CPF").

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of Significant Accounting Policies (Cont'd)

(n) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operation, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of Significant Accounting Policies (Cont'd)

(o) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue relating to the sale of goods are recognised upon delivery of goods and the transfer of risks and rewards.

(ii) Revenue from services

Revenue from services rendered is recognised as and when the services are performed.

(iii) Dividend income

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

(iv) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(v) Rental income

Rental income is recognised on an accrual basis unless the collectibility is in doubt.

(vi) License fees

License fees are recognised on an accrual basis.

(vii) Management service fee

Management service fee are recognised when services are rendered.

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs

On 1 January 2007, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2007:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of revised FRS 124 gives rise to additional disclosures but did not result in significant changes in accounting policies of the Group and of the Company. The principal changes in accounting policies and their effects resulting from the adoption of the revised FRS 117 are discussed below:

(a) FRS 117: Leases

Leasehold land held for own use

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Cont'd)

(a) FRS 117: Leases (Cont'd)

Leasehold land held for own use (Cont'd)

Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment relating to the land element represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been acounted for retrospectively and as disclosed in Note 2.3(c), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2007 are set out in Note 2.3(b)(i). There were no effects on the consolidated income statement for the year ended 31 December 2007 and the Company's financial statements.

(b) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheet as at 31 December 2007, upon the adoption of the new and revised FRSs, is higher or lower than it would have been had the previous policies been applied in the current year:

(i) Effects on the balance sheet as at 31 December 2007

Description of change	Increase/(Decrease) FRS 117 Note 2.3(a) RM
GROUP	
Property, plant and equipment	(7,116,941)
Prepaid land lease payments	7,116,941

(c) Restatement of comparatives

The following comparative amounts have been restated arising from the effects of adopting FRS 117:

As at 31 December 2006	Previously Stated RM	FRS 117 Note 2.3(a) RM	Restated RM
GROUP			
Property, plant and equipment	55,676,052	(7,198,350)	48,477,702
Prepaid land lease payments	-	7,198,350	7,198,350

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd))

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new and revised FRSs, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 112: Income Taxes	1 July 2007
FRS 118: Revenue	1 July 2007
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134: Interim Financial Reporting	1 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under $FRS129_{2004}$ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above FRSs, amendments to FRS and Interpretations, except for FRS 139, are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application. The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 Significant Accounting Estimates and Judgements (Cont'd)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of trademark

The Group determines whether the trademark is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which the trademark is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the trademark as at 31 December 2007 is RM1,071,300. Further details are disclosed in Note 17.

(ii) Impairment of cost of investment in subsidiary companies

During the current financial year, the Company has recognised impairment losses in respect of its cost of investment in subsidiary companies. The Company carried out the impairment test based on the tangible assets of the subsidiary companies. Further details of the impairment losses recognised are disclosed in Note 18.

(iii) Depreciation of plant and machinery

The cost of plant and machinery for the manufacture of pharmaceutical products is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 7 to 10 years. These are common life expectancies applied in the pharmaceutical industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. REVENUE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Sale of pharmaceutical products	235,271,822	223,587,172	-	-
License fees	380,489	390,342	-	-
Property rental income	285,216	310,362	-	-
Gross dividends from unquoted subsidiary companies	-	-	10,450,000	8,380,000
Management service fees	-	-	1,364,412	1,263,120
	235,937,527	224,287,876	11,814,412	9,643,120

4. COST OF SALES/ SERVICES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Sale of pharmaceutical products	179,693,452	171,343,054	-	-
Property rental income	197,480	188,760	-	-
Management service fees	-	-	1,420,275	1,309,008
	179,890,932	171,531,814	1,420,275	1,309,008

5. OTHER INCOME

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Interest income	152,202	137,060	1,632,040	1,382,448
Rental receivable from operating leases, other than those relating to investment properties	461,351	262,450	-	-
Gain on disposal of property, plant and equipment	284,383	179,413	-	188
Fair value adjustment of investment properties	986,626	-	-	-
Miscellaneous	499,357	536,363	-	-
Negative goodwill arising from acquisition of a subsidiary company	-	1,006,940	-	-
	2,383,919	2,122,226	1,632,040	1,382,636

6. DEFERRED GAIN FROM PREVIOUSLY DISPOSED SUBSIDIARY COMPANY

The Group had disposed of its 100% equity interest in Apex Pharmacy Sdn Bhd on 31 May 2005 for a total consideration of RM12,200,000.

The deferred gain from previously disposed subsidiary company had the following effects on the financial position of the Group and the Company as at the end of the year:

	2007 RM
Balance of cash consideration, representing cash inflow (Note b)	1,220,000
Amount set aside as provision for warranty (Note a)	610,000
	1,830,000
Warranty claim paid	(69,918)
Adjustment to final purchase price	(4,551)
Amount set aside as warranty	(610,000)
Net cash inflow to the Company/Group	1,145,531

The deferred gain from previously disposed subsidiary company had the following effect on the financial results of the Group and the Company for the financial year:

	2007 RM
Total disposal proceeds (Note b)	1,220,000
Amount set aside as provision for warranty (Note a)	610,000
Less: Adjustment to final purchase price	(4,551)
Deferred gain from previously disposed subsidiary company	1,825,449

Note a: The purchaser had a two year warranty claim up to RM1,830,000 representing 15% of the total disposal proceeds. The warranty period expired on 31 May 2007.

Note b: Upon the expiration of the warranty period on 31 May 2007, the purchaser paid the sum retained of RM1,220,000 which represented 10% of the total disposal proceeds net of its claims.

7. FINANCE COSTS

	GROUP	
	2007 RM	2006 RM
Interest expense on:		
Bank borrowings	607,888	1,046,842
Hire purchase and finance lease liabilities	13,482	46,257
	621,370	1,093,099
Less: interest expense capitalised in qualifying asset -capital in progress	-	(17,750)
	621,370	1,075,349

8. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors' fees				
- Executive Directors	20,000	4,000	20,000	4,000
- Non-executive Directors	150,000	76,000	150,000	76,000
Consulting fees paid to a Director	180,000	180,000	180,000	180,000
Depreciation of property, plant and equipment (Note 14)	4,596,537	4,317,579	43,832	36,585
Amortisation of prepaid land lease payments (Note 16)	81,409	81,123	-	-
Amortisation of intangible assets (Note 17)	268,462	275,282	-	-
Fair value adjustment of investment properties (Note 15)	(986,626)	-	-	-
Write off of intangible assets	-	35,181	-	-
Auditors' remuneration				
- current year	157,300	136,190	46,400	45,000
- underprovision in prior year	5,000	6,500	-	22,000
- other services	30,200	5,000	5,200	5,000
Foreign exchange loss/(gain)				
- realised	13,374	(22,982)	924	5,029
- unrealised	31,024	57,266	-	75,700
Rental expenses	720,696	717,721	65,400	65,400
Research and development cost	915,083	697,916	-	-
Allowance for doubtful debts	3,103,275	1,127,727	-	-
Bad debts written off	11,947	26,428	-	-
Allowance for doubtful debts written back	(751,688)	(953,596)	-	-
Bad debts recovered	(422,951)	(21,207)	-	-
Inventories written back	(268,462)	-	-	-
Inventories written off	1,439,404	177,380	-	-
Inventories written down	133,056	396,694	-	-
Impairment loss in a subsidiary company	-	-	104,271	417,674
Property, plant and equipment written off	27,379	13,515	3	2
Net gain on disposal of property, plant and equipment	(284,383)	(179,412)	-	(188)
Rental income	(461,351)	(262,450)	-	-
Interest income	(152,202)	(137,060)	(1,632,040)	(1,382,448)

9. EMPLOYEE BENEFITS EXPENSE

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Wages, salaries and social security contributions	20,514,419	19,099,191	1,076,684	1,033,685
Contributions to defined contribution plans	2,555,367	2,349,923	124,500	119,330
Other benefits	576,463	721,961	49,092	75,993
	23,646,249	22,171,075	1,250,276	1,229,008

Included in employee benefit expense of the Group and of the Company are Executive Directors' remuneration other than Directors' fees and benefits-in-kind amounting to RM775,367 and RM365,571 (2006: RM1,078,205 and RM708,696) respectively.

10. DIRECTORS' REMUNERATION

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Executive Directors:				
- Fees	20,000	4,000	20,000	4,000
- Salaries and other emoluments	556,414	678,480	211,800	421,800
- Bonus	149,011	296,460	105,375	210,900
- Pension costs:				
- defined contribution plans	69,942	103,265	48,396	75,996
	795,367	1,082,205	385,571	712,696
- Benefits-in-kind	31,381	147,111	31,381	147,111
	826,748	1,229,316	416,952	859,807
Non-Executive Directors:				
- Fees	150,000	76,000	150,000	76,000
- Other emoluments	222,000	220,500	222,000	220,500
	372,000	296,500	372,000	296,500
- Benefits-in-kind	43,122	45,600	10,971	45,600
	415,122	342,100	382,971	342,100
	1,241,870	1,571,416	799,923	1,201,907

10. DIRECTORS' REMUNERATION (Cont'd)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	NUMBER OF DIRECTORS 2007	2006
Executive Directors		
RM350,001 - RM400,000	-	1
RM700,001 - RM750,000	-	1
RM750,001 - RM800,000	1	-
Non-executive Directors		
Below - RM50,000	2	5
RM50,001 - RM100,000	2	-
RM200,001 - RM250,000	1	1

11. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Malaysian income tax:				
Tax expense for the year	2,455,431	4,679,271	2,947,500	1,529,400
(Over)/under provision in prior year	(399,803)	24,344	(56,936)	(826)
	2,055,628	4,703,615	2,890,564	1,528,574
Foreign income tax:				
Tax expense for the year	30,583	-	-	-
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	821,857	107,667	-	540
Relating to changes in tax rates	(150,669)	22,132	-	(540)
Overprovision in prior year	(265,120)	-	-	-
	406,068	129,799	-	-
	2,492,279	4,833,414	2,890,564	1,528,574

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year except for certain subsidiary companies which qualify for the reduced statutory tax rate where Malaysian income tax is calculated at the statutory tax rate of 20% of the estimated assessable profit up to RM500,000 (2006: RM500,000) and 27% (2006: 28%) of the estimated profit in excess of RM500,000 (2006: RM500,000) for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The domestic statutory tax rate will be reduced to 26% effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes.

11. INCOME TAX EXPENSE (Cont'd)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2007 RM	2006 RM
GROUP		
Profit before tax	19,405,322	18,215,590
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	5,239,437	5,100,365
Effect of lower tax rate for small and medium scale companies	(85,151)	(93,105)
Effect of different tax rates in other jurisdictions	(31,824)	(22,000)
Deferred tax recognised at different tax rates	(150,669)	22,132
Effect of income not subject to tax	(843,010)	(248,730)
Effect of expenses not deductible for tax purposes	480,013	574,579
Effect of utilisation of previously unrecognised deferred tax assets	(68,399)	(110,823)
Effect of utilisation of current year's reinvestment allowances	(939,250)	(69,051)
Effect of share of results of associated companies	(334,323)	(284,567)
Deferred tax assets not recognised in respect of deductible temporary differences	90,980	39,060
Double deduction for tax purposes	(200,602)	(98,790)
(Over)/under provision of income tax in prior year	(399,803)	24,344
Over provision of deferred tax in prior year	(265,120)	-
Tax expense for the year	2,492,279	4,833,414

	2007 RM	2006 RM
COMPANY		
Profit before tax	12,387,348	7,898,342
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	3,344,584	2,211,536
Effect of income not subject to tax	(492,871)	(882,000)
Effect of expenses not deductible for tax purposes	92,536	214,990
Effect of utilisation of previously unrecognised deferred tax assets	-	(21,252)
Deferred tax recognised at different tax rates	-	(540)
Deferred tax assets not recognised in respect of deductible temporary differences	3,251	6,666
Over provision of income tax in prior year	(56,936)	(826)
Tax expense for the year	2,890,564	1,528,574

Tax savings during the financial year arising from:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Utilisation of previously unrecognised tax losses	51,725	71,462	-	5,113

12. EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing net profit for the financial year by the weighted average number of ordinary shares in issue during the year.

	GROUP	
	2007	2006
Net profit for the year (RM)	16,913,043	13,382,176
Weighted average number of ordinary shares in issue	74,973,500	68,656,283
Basic earnings per share (sen)	22.56	19.49

(ii) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue was adjusted to assume conversion of all dilutive potential ordinary shares. The Company had a category of dilutive potential ordinary shares, i.e. share options granted to employees. The share options lapsed during the previous financial year on 8 October 2006.

	GROUP	
	2007	2006
Net profit for the year (RM)	16,913,043	13,382,176
Weighted number of ordinary shares in issue	74,973,500	68,656,283
Diluted earnings per share (sen)	22.56	19.49

13. DIVIDENDS

	2007		2006	
	Dividend per share net of tax Sen	Amount of dividend net of tax RM	Dividend per share net of tax Sen	Amount of dividend net of tax RM
Final dividend in respect of prior financial year:				
- 5 sen (2005: 5 sen) per share less 27% tax (2005: taxable at 28%)	3.65	2,736,533	3.60	2,458,591
Interim dividend of 4 sen (2006: 5 sen) per share tax exempt (2006: taxable at 28%)	4.00	2,998,940	3.60	2,461,446
	7.65	5,735,473	7.20	4,920,037

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2007 of 4.5 sen per share amounting to RM3,373,808 on 74,973,500 ordinary shares will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved will be accounted for in shareholders' equity as appropriation of retained profits in the financial year ending 31 December 2008.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings on freehold land RM	Buildings on leasehold land RM	Capital in-progress RM	Plant, machinery and factory equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Total RM
GROUP								
At 31 December 2007								
Cost/Valuation								
At 1 January 2007								
At cost	2,581,965	9,784,804	193,761	6,111,548	20,735,465	16,045,842	4,477,784	59,931,169
At valuation	5,740,000	160,000	8,730,000	-	-	-	-	14,630,000
	8,321,965	9,944,804	8,923,761	6,111,548	20,735,465	16,045,842	4,477,784	74,561,169
Additions	-	91,100	43,607	17,061,139	313,265	514,926	870,680	18,894,717
Disposals	-	-	-	-	-	(8,407)	(887,805)	(896,212)
Reclassification	-	-	8,005,487	(20,580,763)	7,082,887	5,492,389	-	-
Write offs	-	-	-	-	(4,420)	(40,433)	(144,707)	(189,560)
At 31 December 2007	8,321,965	10,035,904	16,972,855	2,591,924	28,127,197	22,004,317	4,315,952	92,370,114
Accumulated Depreciation								
At 1 January 2007	-	854,711	414,986	-	12,775,019	9,111,367	2,927,384	26,083,467
Depreciation charge for the year	-	200,563	205,294	-	1,785,771	1,804,167	600,742	4,596,537
Disposals	-	-	-	-	-	(6,699)	(848,752)	(855,451)
Write offs	-	-	-	-	(4,420)	(39,713)	(118,048)	(162,181)
At 31 December 2007	-	1,055,274	620,280	-	14,556,370	10,869,122	2,561,326	29,662,372
Net Carrying Amount								
At cost	2,581,965	8,832,630	8,204,315	2,591,924	13,570,827	11,135,195	1,754,626	48,671,482
At valuation	5,740,000	148,000	8,148,260	-	-	-	-	14,036,260
At 31 December 2007	8,321,965	8,980,630	16,352,575	2,591,924	13,570,827	11,135,195	1,754,626	62,707,742

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land RM	Buildings on freehold land RM	Buildings on leasehold land RM	Capital in-progress RM	Plant, machinery and factory equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Total RM
GROUP (Cont'd)								
At 31 December 2006								
Cost/Valuation								
At 1 January 2006								
At cost	8,000	7,952,919	193,761	164,917	20,338,951	12,154,075	4,420,462	45,233,085
At valuation	5,740,000	160,000	8,730,000	-	-	-	-	14,630,000
	5,748,000	8,112,919	8,923,761	164,917	20,338,951	12,154,075	4,420,462	59,863,085
Additions	-	76,178	-	5,946,631	411,020	2,599,214	572,320	9,605,363
Disposals	-	-	-	-	(13,536)	(12,943)	(512,231)	(538,710)
Write offs	-	-	-	-	(970)	(124,821)	(3,572)	(129,363)
Acquisition of a subsidiary	2,573,965	1,755,707	-	-	-	1,430,317	805	5,760,794
At 31 December 2006	8,321,965	9,944,804	8,923,761	6,111,548	20,735,465	16,045,842	4,477,784	74,561,169
Accumulated Depreciation								
At 1 January 2006	-	98,257	236,510	-	11,073,018	6,776,927	2,783,005	20,967,717
Depreciation charge for the year	-	198,375	178,476	-	1,716,507	1,574,703	649,518	4,317,579
Disposals	-	-	-	-	(13,536)	(7,265)	(505,214)	(526,015)
Write offs	-	-	-	-	(970)	(114,283)	(595)	(115,848)
Acquisition of a subsidiary	-	558,079	-	-	-	881,285	670	1,440,034
At 31 December 2006	-	854,711	414,986	-	12,775,019	9,111,367	2,927,384	26,083,467
Net Carrying Amount								
At cost	2,581,965	8,938,893	185,930	6,111,548	7,960,446	6,934,475	1,550,400	34,263,657
At valuation	5,740,000	151,200	8,322,845	-	-	-	-	14,214,045
At 31 December 2006	8,321,965	9,090,093	8,508,775	6,111,548	7,960,446	6,934,475	1,550,400	48,477,702

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Furniture, fittings and equipment RM	Total RM
COMPANY		
At 31 December 2007		
Cost		
At 1 January 2007	234,176	234,176
Additions	15,275	15,275
Write off	(11,132)	(11,132)
At 31 December 2007	238,319	238,319
Accumulated Depreciation		
At 1 January 2007	75,429	75,429
Depreciation charge for the year	43,832	43,832
Write off	(11,129)	(11,129)
At 31 December 2007	108,132	108,132
Net Carrying Amount	130,187	130,187
At 31 December 2006		
Cost		
At 1 January 2006	190,313	190,313
Additions	53,063	53,063
Disposals	(2,500)	(2,500)
Write off	(7,989)	(7,989)
Transfer	1,289	1,289
At 31 December 2006	234,176	234,176
Accumulated Depreciation		
At 1 January 2006	49,151	49,151
Depreciation charge for the year	36,585	36,585
Disposals	(2,499)	(2,499)
Write off	(7,987)	(7,987)
Transfer	179	179
At 31 December 2006	75,429	75,429
Net Carrying Amount	158,747	158,747

(a) The Group's properties were revalued by the following valuers who are members of the Institute of Surveyors, Malaysia of CH Williams Talhar & Wong Sdn Bhd in April 2004:

i) Foo Gee Jen (Diploma in Valuation, B.Surveyors (Hons) Property Management, MISM, Registered valuer (V-368));

ii) Danny Yeo Soon Kee (Associate Diploma in Valuations, MISM, Registered valuer (V-352));

iii) Chong Pah Aung (BSc. (Estate Management) FRICS FISM Chartered Valuation Surveyors & Registered Valuer (V-153));

iv) P'ng Soo Theng (BSc. FRICS MISM, Registered Valuer (V-140)); and

v) Alan Chew (BSc. FRICS FISM Chartered Surveyors & Registered Valuer (V-180)).

Valuations were made using the comparison method of valuation to reflect their fair value.

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

(b) Had the revalued properties of the Group been carried at historical costs less accumulated depreciation and impairment losses, the net book value of each class of properties that would have been included in the financial statements of the Group as at 31 December 2007 would be as follows:

	GROUP 2007 RM	GROUP 2006 RM
Freehold land	5,551,127	5,551,127
Buildings on freehold land	118,529	123,204
Buildings on leasehold land	7,096,493	7,280,365
	12,766,149	12,954,696

(c) The net carrying amount of property, plant and equipment pledged as securities for borrowings (Note 26) amounted to RM3,701,000 (2006: RM3,736,000).

15. INVESTMENT PROPERTIES

	Long leasehold land RM	Buildings on leasehold land RM	Freehold shop units RM	Total RM
GROUP				
At 31 December 2007				
At 1 January 2007	111,228	87,300	2,714,846	2,913,374
Fair value gains	21,472	-	965,154	986,626
At 31 December 2007	132,700	87,300	3,680,000	3,900,000
At 31 December 2006				
Cost				
At 1 January 2006	113,620	90,000	2,793,900	2,997,520
Effects of adopting FRS 140	(2,392)	(2,700)	(79,054)	(84,146)
At 31 December 2006	111,228	87,300	2,714,846	2,913,374
Accumulated Depreciation				
At 1 January 2006	2,392	2,700	79,054	84,146
Effects of adopting FRS 140	(2,392)	(2,700)	(79,054)	(84,146)
At 31 December 2006	-	-	-	-
Net Carrying Amount	111,228	87,300	2,714,846	2,913,374

15. INVESTMENT PROPERTIES (Cont'd)

The following investment properties are held under lease terms:

	GROUP 2007 RM	GROUP 2006 RM
Leasehold land	132,700	111,228
Buildings	3,767,300	2,802,146
	3,900,000	2,913,374

16. PREPAID LAND LEASE PAYMENTS

	GROUP 2007 RM	GROUP 2006 RM
At 1 January	7,198,350	7,279,473
Amortisation for the year (Note 8)	(81,409)	(81,123)
At 31 December	7,116,941	7,198,350
Analysed as:		
Long term leasehold land	7,116,941	7,198,350

17. INTANGIBLE ASSETS

	Trademark RM	Computer softwares RM	Total RM
GROUP			
At 31 December 2007			
Cost			
At 1 January 2007	1,071,300	1,887,034	2,958,334
Additions	-	60,000	60,000
At 31 December 2007	1,071,300	1,947,034	3,018,334
Accumulated Amortisation			
At 1 January 2007	-	1,123,288	1,123,288
Amortisation charge	-	268,462	268,462
At 31 December 2007	-	1,391,750	1,391,750
Net Carrying Amount	1,071,300	555,284	1,626,584

17. INTANGIBLE ASSETS (Cont'd)

	Trademark RM	Computer softwares RM	Total RM
GROUP (Cont'd)			
At 31 December 2006			
Cost			
At 1 January 2006	-	1,427,004	1,427,004
Additions	65,081	76,600	141,681
Write off	(35,181)	-	(35,181)
Acquisition of subsidiary	1,041,400	383,430	1,424,830
At 31 December 2006	1,071,300	1,887,034	2,958,334
Accumulated Amortisation			
At 1 January 2006	-	575,153	575,153
Amortisation charge	-	275,282	275,282
Acquisition of subsidiary	-	272,853	272,853
At 31 December 2006	-	1,123,288	1,123,288
Net Carrying Amount	1,071,300	763,746	1,835,046

Impairment tests for trademark

The intangible assets relating to trademark arose as a result of the acquisition of the subsidiary, Apex Pharma Marketing Pte Ltd ("APS") (formerly known as Apex Pharmacy Marketing Pte Ltd) in prior year, where a fair value was ascribed to the AGNESIA trademark and all other intellectual property rights in relation to the AGNESIA trademark based on a valuation carried out by an independent valuer as at 31 December 2005. APS operates in Singapore and its principal activity is as disclosed in Note 18 to the financial statements.

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU is determined based on value-in-use calculations using the discounted estimated future cash flows method. This method discounts to present value the estimated future cash flows associated with the sale of the AGNESIA products. The estimated future cash flows have been derived based on budgets approved by management covering a five-year period. The key assumptions used for value-in-use calculations are:

Gross Margin	Growth Rate	Discount Rate
40.0	5.0	7.0

17. INTANGIBLE ASSETS (Cont'd)

Key assumptions used in value-in-use calculations (Cont'd)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of trademark:

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) Growth rate

The management believes that the growth rates used are appropriate for the business segments in which the entity operates after considering the marketability, control and size and diversity factors relating to the product.

(iii) Discount rate

The discount rate used reflects specific risks relating to the relevant segments.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

18. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2007 RM	**2006 RM**
Unquoted shares at cost	31,292,129	31,292,129
Less: Net dividends from pre-merger profits	(2,216,433)	(2,216,433)
	29,075,696	29,075,696
Less: Impairment loss	(521,945)	(417,674)
	28,553,751	28,658,022

18. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

The unquoted subsidiary companies are as follows:

Name of subsidiary company	Place of incorporation	Principal activities	Effective equity interest 2007 %	2006 %
+ Xepa-Soul Pattinson (Malaysia) Sendirian Berhad	Malaysia	Manufacturing and marketing of pharmaceutical products	100	100
+ Apex Pharmacy Marketing Sdn Bhd	Malaysia	Marketing and distribution of pharmaceutical products	100	100
+ ABio Marketing Sdn Bhd	Malaysia	Marketing and distribution of healthcare products	100	100
Apex Pharmacy Corporate Sdn Bhd	Malaysia	Property rental and management, retailing of pharmaceutical products and licensing of Apex Pharmacy trademark	100	100
Apex Pharmacy International Sdn Bhd	Malaysia	Investment holding	100	100
^ Apex Pharma Marketing Pte Ltd (formerly known as Apex Pharmacy Marketing Pte Ltd)	Singapore	Marketing and distribution of pharmaceutical products	100	100
^ Avex Pharmaceutical Pte Ltd	Singapore	Brands management and development of pharmaceutical and healthcare products	100	100
Subsidiary company of Xepa-Soul Pattinson (Malaysia) Sendirian Berhad				
^ Xepa-Soul Pattinson (S) Pte Ltd	Singapore	Marketing and distribution of pharmaceutical products	100	100

+ Consolidated using merger accounting.
^ Audited by member firms of Ernst & Young Global in the respective countries

Acquisition of subsidiaries

(a) Apex Pharma Marketing Pte Ltd

On 18 January 2006, the Company completed its acquisition of the entire issued and paid up capital amounting to 1,800,000 ordinary shares of S$1 each in Apex Pharma Marketing Pte Ltd (formerly known as Apex Pharmacy Marketing Pte Ltd) ("APS"), a company incorporated in Singapore, for a total cash consideration of S$17,000 (equivalent to RM39,449) from UE UMC Pte Ltd (formerly known as United Medicorp Pte Ltd) ("UMC"), Apex Holdings (Pte) Ltd and Apex Pharmacy Holdings Sdn Bhd, resulting in APS becoming a wholly owned subsidiary on that date.

APS then acquired from Grafton Laboratories Pte Ltd, a wholly owned subsidiary of UMC, the AGNESIA trademark and all other intellectual property rights in relation to the AGNESIA trademark for a consideration of S$1.

18. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

(a) Apex Pharma Marketing Pte Ltd (Cont'd)

The cost of acquisition comprised the following:

	RM
Purchase consideration satisfied by cash	39,449
Costs attributable to the acquisition, paid in cash	41,403
Total cost of acquisition	80,852

The acquired subsidiary has contributed the following results to the Group:

	2006 RM
Revenue	36,374,956
Profit for the year	156,916

The acquisition had been accounted for from 1 January 2006 instead of 18 January 2006 as the Group effectively took control over the financial and operating policies of the acquired subsidiary on 1 January 2006 and the impact of such consolidation has no material impact to the results of the Group for the year under review.

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Property, plant and equipment	4,320,760	4,320,760
Intangible assets	1,151,977	110,577
Inventories	9,356,032	9,356,032
Trade and other receivables	9,664,992	9,664,992
Cash and bank balances	1,660,004	1,660,004
	26,153,765	25,112,365
Trade and other payables	19,302,173	19,302,173
Borrowings	5,763,800	5,763,800
	25,065,973	25,065,973
Net fair value of assets and contingent liabilities	1,087,792	
Group's interest in the net fair value of assets and contingent liabilities	1,087,792	
Negative goodwill on acquisition	(1,006,940)	
Total cost of acquisition	80,852	

18. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

(a) Apex Pharma Marketing Pte Ltd (Cont'd)

The cashflow on acquisition is as follows:

	2006 RM
Purchase consideration satisfied by cash	39,449
Costs attributable to the acquisition, paid in cash	41,403
Total cash outflow of the Company	80,852
Cash and cash equivalents of subsidiary acquired	(1,660,004)
Net cash inflow of the Group	(1,579,152)

(b) Avex Pharmaceuticals Pte Ltd

On 7th July 2006, the Group incorporated Avex Pharmaceuticals Pte Ltd and the effects of the incorporation on the Group's financial position as at 31 December 2006 and the results for the year then ended were immaterial.

19. INVESTMENT IN ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unquoted shares at cost	13,150,216	9,280,126	3,870,090	-
Share of post-acquisition reserves	2,184,611	946,378	-	-
	15,334,827	10,226,504	3,870,090	-

The Group's interest in the associated companies are analysed as follows:

	2007 RM	2006 RM
Share of net assets	10,632,358	5,524,035
Share of goodwill in an associated company	4,702,469	4,702,469
	15,334,827	10,226,504

19. INVESTMENT IN ASSOCIATED COMPANIES (Cont'd)

Details of the associated companies are as follows:

Name of associate	Place of incorporation	Principal activity	Effective equity interest 2007 %	Effective equity interest 2006 %
Xiamen Maidiken Science & Technology Co., Ltd	People's Republic of China	Investment holding	25	25
Maritzberg Investments Ltd	British Virgin Island	Investment holding	20	-

The financial statements of the above associates are coterminous with those of the Group.

The summarised financial information of the associates are as follows:

	2007 RM	2006 RM
Assets and liabilities		
Current assets	281,118,594	140,720,858
Non-current assets	16,744,789	12,911,878
Total assets	297,863,383	153,632,736
Current liabilities	245,931,782	121,206,885
Non-current liabilities	3,298,729	3,616,000
Total liabilities	249,230,511	124,822,885
Results		
Revenue	585,178,098	336,980,037
Profit for the year	5,036,967	4,308,553

20. INVENTORIES

	GROUP 2007 RM	GROUP 2006 RM
Cost		
Raw materials	3,675,708	3,067,779
Work in progress	132,420	10,838
Finished goods	4,755,481	4,317,531
Pharmaceutical items held for resale	32,011,877	31,010,700
	40,575,486	38,406,848

The cost of inventories recognised as an expense during the financial year of the Group amounted to RM167,940,213 (2006: RM161,106,219).

21. TRADE AND OTHER RECEIVABLES

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Trade receivables	59,972,081	61,340,419	-	-
Allowance for doubtful debts	(2,504,518)	(2,581,659)	-	-
	57,467,563	58,758,760	-	-
Bills receivable	884,151	866,335	-	-
Amounts due from subsidiaries:				
- interest bearing	-	-	29,850,000	26,350,000
- non-interest bearing	-	-	35,895,278	34,221,041
Deposits	301,321	342,240	3,300	3,300
Prepayments	79,984	75,138	7,478	6,922
Other receivables	4,983,476	4,253,367	-	-
Allowance for doubtful debts	(1,259,759)	-	-	-
	62,456,736	64,295,840	65,756,056	60,581,263

The currency profile of trade receivables and bills receivables is as follows:

	GROUP 2007 RM	GROUP 2006 RM
Ringgit Malaysia	49,604,182	51,479,000
Singapore Dollar	7,613,448	7,298,833
United States Dollar	1,039,332	806,639
Others	94,752	40,623
	58,351,714	59,625,095

(a) Credit risk

The credit terms of trade receivables of the Group range from 30 days to 120 days (2006: 30 days to 120 days). Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are dispersed throughout the country. The Group's historical experience in collection of accounts receivables falls within the recorded credit periods. Due to these factors, the management believes that no additional credit risk beyond the allowance made for doubtful debts is inherent in the Group's trade receivables.

(b) Amounts due from subsidiary companies (current)

Other receivables and amounts due from subsidiary companies are denominated in Ringgit Malaysia, with the exception of an amount due from a subsidiary company of RM4,642,041 (2006: RM4,385,729) which is denominated in Singapore dollars.

The amounts due from subsidiary companies are unsecured and have no credit terms or fixed terms of repayment. The effective weighted average interest rate for amounts due from subsidiary companies which are interest bearing at balance sheet date was 5.01% (2006: 5.01%) per annum.

22. DEPOSITS WITH LICENSED BANKS, CASH AND BANK BALANCES

The weighted average interest rates during the financial year and the average maturities of deposits as at 31 December were as follows:

	Weighted average interest rates		Average maturities	
	2007 %	2006 %	2007 days	2006 days
Group and Company	3.00	3.00	14 to 30	14 to 30

The currency profile of deposits with licensed banks, cash and bank balances is as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	11,156,644	13,116,785	2,401,996	8,009,278
Singapore Dollar	519,318	1,064,941	-	-
	11,675,962	14,181,726	2,401,996	8,009,278

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Deposits with licensed banks	6,800,000	8,000,000	1,800,000	7,000,000
Cash and bank balances	4,875,962	6,181,726	601,996	1,009,278
Bank overdrafts (Note 26)	(4,151,326)	(4,472,816)	-	-
	7,524,636	9,708,910	2,401,996	8,009,278

23. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares		Amount	
	2007 Units	2006 Units	2007 RM	2006 RM
Authorised:				
Ordinary shares of RM1 each	100,000,000	100,000,000	100,000,000	100,000,000

23. SHARE CAPITAL AND SHARE PREMIUM (Cont'd)

	Number of ordinary share of RM1 each Share capital (issued and fully paid)	Amount: Share capital (issued and fully paid) RM	Share premium RM	Total share capital and share premium RM
At 1 January 2006	67,649,200	67,649,200	985,600	68,634,800
Ordinary shares issued during the year:				
Issued for cash	6,600,000	6,600,000	4,158,000	10,758,000
Pursuant to ESOS	724,300	724,300	452,852	1,177,152
Share issue expense	-	-	(291,056)	(291,056)
At 31 December 2006/ 31 December 2007	74,973,500	74,973,500	5,305,396	80,278,896

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(a) Ordinary shares issued for cash

In the previous financial year, the Company issued 6,600,000 new ordinary shares of RM1 each through a private placement at an issue price of RM1.63 per ordinary share for cash, for additional working capital purposes. The share premium of RM4,158,000 arising from the issuance of ordinary shares and the share issue expense of RM291,056 had been included in the share premium account. The new ordinary shares ranked pari passu in all respects with the existing ordinary shares of the Company.

(b) Share options exercised in the previous financial year

The Company's Employee Share Option Scheme which was implemented on 8 October 2001 has lapsed on 8 October 2006.

The movements in the previous financial year in the number of options over the shares of the Company are as follows:

	Number of share options 2007 Units	2006 Units
At 1 January	-	4,492,900
Lapsed	-	(3,768,600)
Exercised	-	(724,300)
At 31 December	-	-

24. OTHER RESERVES

	Asset revaluation reserve RM	Foreign currency translation reserve RM	Total RM
GROUP			
At 1 January 2006	5,245,619	106,050	5,351,669
Effects of adopting:			
FRS 140	(1,498,571)	-	(1,498,571)
	3,747,048	106,050	3,853,098
Currency translation differences	-	(72,577)	(72,577)
At 31 December 2006	3,747,048	33,473	3,780,521
At 1 January 2007	3,747,048	33,473	3,780,521
Reversal of deferred tax on the abolishment of Real Property Gains Tax	8,900	-	8,900
Currency translation differences	-	(27,623)	(27,623)
At 31 December 2007	3,755,948	5,850	3,761,798

The nature and purpose of each category of reserve are as follows:

(a) Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. Prior to 1 January 2006, revaluation increase of investment property is also included in this reserve which has been subsequently reversed upon the application of FRS 140.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

25. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted 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 dividends 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.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the Section 108 balance and the balance in the tax exempt income account to pay franked dividends out of its entire retained earnings.

26. BORROWINGS

	GROUP 2007 RM	GROUP 2006 RM
Short term borrowings		
Secured:		
Term loans	239,200	239,200
Unsecured:		
Bank overdrafts (Note 22)	4,151,326	4,472,816
Export credit refinancing	506,000	570,000
Bankers' acceptances	1,350,000	3,558,000
Revolving credits	1,000,000	2,550,000
Term loans	3,480,662	1,334,801
Finance lease liabilities	120,849	276,806
	10,608,837	12,762,423
	10,848,037	13,001,623
Long term borrowings		
Secured:		
Term loans	538,200	777,400
Unsecured:		
Term loans	14,053,396	4,706,649
Finance lease liabilities	41,849	-
	14,633,445	5,484,049
Total Borrowings		
Bank overdrafts	4,151,326	4,472,816
Export credit refinancing	506,000	570,000
Bankers' acceptances	1,350,000	3,558,000
Revolving credits	1,000,000	2,550,000
Term loans	18,311,458	7,058,050
Finance lease liabilities	162,698	276,806
	25,481,482	18,485,672
As at 31 December 2007		
Current	10,848,037	13,001,623
Non-current:		
Later than 1 year but not later than 2 years	3,028,125	1,987,537
Later than 2 years but not later than 5 years	7,260,228	2,875,659
Later than 5 years	4,345,092	620,853
	25,481,482	18,485,672

26. BORROWINGS (Cont'd)

Details of the terms of repayment are as follows:-

Loan	Interest Rate %	Repayment Term
Type 1	4.47	84 principal monthly instalments of RM130,953 each commencing from the following month after full release
Type 2	4.47	84 principal monthly instalments of RM57,970 each commencing from the following month after full release
Type 3	4.30	60 principal monthly instalments of RM106,666 each commencing from the first release of the loan
Type 4	4.64	20 quarterly instalments of RM59,800 each with the first instalment due three months from the date of drawdown

Type 4 term loan is secured by a first legal charge over certain properties of a subsidiary company (Note 14). All other term loans are secured by a corporate guarantee from the Company.

The effective weighted average interest rates at balance sheet date were as follows:

	2007 %	2006 %
Bank overdrafts	5.50	7.50
Trade financing facilities	4.50	4.50
Revolving credit facility	4.50	4.70
Term loans	4.50	5.00

Other information on financial risks of borrowings are disclosed in Note 32.

27. DEFERRED TAXATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
At 1 January	3,909,438	3,547,042	-	-
Recognised in the income statement (Note 11)	406,068	129,799	-	-
Recognised in equity	(8,900)	232,597	-	-
At 31 December	4,306,606	3,909,438	-	-

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Presented after appropriate off setting as follows:				
Deferred tax assets	(514,611)	(355,574)	-	-
Deferred tax liabilities	4,821,217	4,265,012	-	-
	4,306,606	3,909,438	-	-

27. DEFERRED TAXATION (Cont'd)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Unabsorbed capital allowance RM	Other payables and provisions RM	Total RM
At 1 January 2007	(9,000)	(346,574)	(355,574)
Recognised in the income statement	9,000	(168,037)	(159,037)
At 31 December 2007	-	(514,611)	(514,611)
At 1 January 2006	(9,629)	(268,490)	(278,119)
Recognised in the income statement	629	(78,084)	(77,455)
At 31 December 2006	(9,000)	(346,574)	(355,574)

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Revaluation of property, plant and equipment RM	Total RM
At 1 January 2007	2,318,973	1,946,039	4,265,012
Recognised in the income statement	610,105	(45,000)	565,105
Recognised in equity	-	(8,900)	(8,900)
At 31 December 2007	2,929,078	1,892,139	4,821,217
At 1 January 2006	2,167,719	1,657,442	3,825,161
Recognised in the income statement	151,254	56,000	207,254
Recognised in equity	-	232,597	232,597
At 31 December 2006	2,318,973	1,946,039	4,265,012

27. DEFERRED TAXATION (Cont'd)

Deferred tax assets of the Company:

	Other payables RM	Total RM
At 1 January 2007	(9,000)	(9,000)
Recognised in the income statement	(2,888)	(2,888)
At 31 December 2007	(11,888)	(11,888)
At 1 January/31 December 2006	(9,000)	(9,000)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM	Total RM
At 1 January 2007	9,000	9,000
Recognised in the income statement	2,888	2,888
At 31 December 2007	11,888	11,888
At 1 January/31 December 2006	9,000	9,000

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unused tax losses	-	287,361	-	-
Other payables and provisions	374,828	99,621	29,975	17,935
	374,828	386,982	29,975	17,935

28. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables	32,894,669	30,446,546	-	-
Bills payable	159,391	573,616	-	-
Other payables	2,692,317	4,399,912	29,206	35,912
Other accruals	6,015,816	6,450,529	561,235	1,138,686
Accrual of Directors' fee	170,000	80,000	170,000	80,000
	41,932,193	41,950,603	760,441	1,254,598
The currency profile of payables is as follows:				
Ringgit Malaysia	29,611,538	32,045,674	760,441	1,254,598
Singapore Dollar	11,253,316	8,339,464	-	-
United States Dollar	555,601	949,161	-	-
Euro Dollar	243,254	136,434	-	-
Others	268,484	479,870	-	-
	41,932,193	41,950,603	760,441	1,254,598

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days.

Further details on related party transactions are disclosed in Note 31.

Other information on financial risks of other payables are disclosed in Note 32.

29. COMMITMENTS

(a) Capital commitments

Authorised capital expenditure in respect of purchase of property, plant and equipment not provided for in the financial statements are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	641,141	14,495,470	-	-
Approved but not contracted for:				
Property, plant and equipment	6,867,425	5,971,664	419,725	666,938

29. COMMITMENTS (Cont'd)

(b) Operating lease commitments

The future minimum lease payments under non-cancellation operating leases are as follows:

	GROUP 2007 RM	GROUP 2006 RM
Not later than one year	505,297	636,685
Later than one year and not later than five years	185,219	470,655
	690,516	1,107,340

30. CONTINGENT LIABILITIES

	COMPANY 2007 RM	COMPANY 2006 RM
Unsecured:		
Corporate guarantees given to banks for credit facilities granted to subsidiaries	28,503,272	25,467,450

On 23 August 2005, the Company announced that its wholly-owned subsidiary, Apex Pharmacy Marketing Sdn Bhd ("APM"), together with Stable Growth Sdn Bhd ("SGSB"), the main contractor for APM's new warehouse and corporate headquarters ("the Building") located at 2, Jalan SS13/5, Subang Jaya, 47500 Petaling Jaya, (APM and SGSB are collectively known as "co-defendents"), had on 19 August 2005, been served with a writ of summons filed by Memory Tech Sdn Bhd ("Plaintiff"). The Plaintiff has claimed a sum of RM90,058 as damages and RM1,596,000 as consequential losses, arising from the alleged damage to the Plaintiff's building and resulting short-circuit caused by a piece of roofing material that the Plaintiff alleged was blown off the roof of the Building while it was being constructed.

APM has denied liability for any such losses and will vigorously defend the suit. APM has instructed its solicitors to seek redress against any party liable for such damage if the same is proven, including the insurers involved during the construction of the Building. APM's solicitors have advised that it has a strong defence and is likely to succeed in avoiding liability for such damage and/or being indemnified for any liability by insurers of its contractors.

31. RELATED PARTY DISCLOSURES

(a) In addition to the transactions disclosed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	COMPANY 2007 RM	COMPANY 2006 RM
- Management service fees received from subsidiary companies	1,364,412	1,263,120
- Interest income received from subsidiary companies	1,533,664	1,247,084
- Dividend income received from subsidiary companies	10,450,000	8,380,000
- Management service fees paid to a subsidiary company	(386,400)	(386,400)
- Rental expense paid to subsidiary companies	(65,400)	(65,400)

31. RELATED PARTY DISCLOSURES (Cont'd)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the financial year was as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Short-term employment benefits	3,946,864	4,176,612	1,261,549	1,404,696
Post-employment benefits:				
Defined contribution plans	368,759	336,654	109,176	106,104
Other long-term benefits	29,599	29,980	15,073	15,041
	4,345,222	4,543,246	1,385,798	1,525,841

Included in the total key management personnel are:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors' remuneration (Note 10)	1,241,870	1,571,416	799,923	1,201,907

32. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk.

The Group has implemented a system of internal controls, which is designed to identify and manage the risks facing the Group in pursuit of its business objectives. The system of internal controls covers risks associated with management and financial, organisational, operational and compliance controls so as to safeguard shareholders' interest and the Group's assets.

Financial risk management is carried out through high-level principal risk identification, risks reviews, internal control systems, a Group insurance programme and adherence to the Group financial risk management policies.

The Board has instituted an Internal Audit function that regularly reviews these risks to ensure proper management of these risks with the formulation of action plans to address the risks.

(b) Foreign Currency Exchange Risk

The Group is exposed to foreign currency exchange risk as a result of foreign currency transactions entered into in currencies other than their functional currencies by the subsidiary companies. These companies enter into short-term forward foreign exchange contracts to manage their exposure to fluctuations in foreign currency exchange rates on specific transactions arising from trade receivables, trade payables and imported plant and machinery.

The currency profiles of the Group's financial assets and liabilities are disclosed in the relevant notes to the financial statements.

32. FINANCIAL INSTRUMENTS (Cont'd)

(b) Foreign Currency Exchange Risk (Cont'd)

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

At 31 December 2007:

Functional currency of Group companies	Us Dollar RM	Euro Dollar RM	Singapore Dollar RM	Others RM	Total RM
Ringgit Malaysia					
Trade receivables	1,039,332	-	182,160	94,752	1,316,244
Trade and other payables	555,601	243,254	177,981	268,484	1,245,320
	1,594,933	243,254	360,141	363,236	2,561,564

At 31 December 2006:

Functional currency of Group companies	Us Dollar RM	Euro Dollar RM	Singapore Dollar RM	Others RM	Total RM
Ringgit Malaysia					
Trade receivables	806,639	-	461,143	40,623	1,308,405
Trade and other payables	949,161	136,434	176,397	479,870	1,741,862
	1,755,800	136,434	637,540	520,493	3,050,267

As at balance sheet date, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Maturities within one year RM
At 31 December 2007	
Currency	
Singapore Dollar	1,447,739
United States Dollar	7,081
Great Britain Pound	127
	1,454,947
At 31 December 2006	
Currency	
Singapore Dollar	1,493,116
Euro Dollar	3,407,330
United States Dollar	377,547
Great Britain Pound	182,178
Others	91,461
	5,551,632

32. FINANCIAL INSTRUMENTS (Cont'd)

(c) Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure, which arises from the Group's borrowings and deposits has minimal impact, and is managed through concerted periodic reviews.

The weighted average effective interest rate and the average maturity periods of the Group's interest bearing financial assets and liabilities are as disclosed in the relevant notes to the financial statements.

(d) Credit Risk

Credit risk arises on sales made on deferred credit terms. The Group seeks to control credit risk by ensuring that sales of products are made to customers who have been subject to stringent credit review, a process of the Group's credit control policy. Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are dispersed throughout the country.

The Group considers the risk of material loss in the event of non-performance by customers to be unlikely.

(e) Liquidity and Cash Flow Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(f) Fair Value

The following methods and assumptions were used to estimate the fair values of the following classes of financial instruments of the Group and of the Company:

Financial instruments recognised in the financial statements:

(i) Receivables, payables, inter-company balances, deposits with licensed banks and cash and bank balances

The carrying amounts approximate their fair values due to the relatively short maturity of these financial instruments.

(ii) Term loans

The carrying amounts approximate their fair values due to the effective interest rate of the term loan approximates the prevailing market rate.

Financial instruments not recognised in the financial statements:

(i) Forward Foreign Exchange Contracts

The notional amounts approximate their fair values due to the relatively short term maturity of the forward contract.

(ii) Contingent liabilities

It is not practicable to estimate the Company's fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

33. SEGMENTAL INFORMATION

The Group is organised into two main business segments:

(i) Manufacturing of pharmaceutical products; and

(ii) Marketing, distribution and retailing of pharmaceutical products.

Inter-segment revenue comprise sales of pharmaceutical products from manufacturing to marketing, distribution and retailing segments and gross dividends and management service fees received from the two main business segments.

The analysis of the Group's operations is as follows:

(i) Business segments

	Manufacturing		Marketing, distribution and retailing		Investment holding		Consolidated	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
Revenue								
Total revenue	48,181,049	47,185,642	201,971,674	190,465,099	12,726,117	10,583,823	262,878,840	248,234,564
Inter-segment revenue	(14,880,901)	(14,063,568)	-	-	(12,060,412)	(9,883,120)	(26,941,313)	(23,946,688)
External revenue	33,300,148	33,122,074	201,971,674	190,465,099	665,705	700,703	235,937,527	224,287,876
Results								
Segment results (external)	11,127,750	12,876,464	7,137,773	6,760,335	57,494	(1,354,782)	18,323,017	18,282,017
Negative goodwill arising from acquisition of subsidiary company							-	1,006,940
Deferred gain from previously disposed subsidiary company							1,825,449	-
Unallocated corporate expenses							(1,360,007)	(1,014,331)
Profit from operations							18,788,459	18,274,626
Finance costs, net							(621,370)	(1,075,349)
Share of results of associated companies							1,238,233	1,016,313
Profit before tax							19,405,322	18,215,590
Income tax expense							(2,492,279)	(4,833,414)
Net profit for the year							16,913,043	13,382,176

33. SEGMENTAL INFORMATION (Cont'd)

(i) Business segments (Cont'd)

	Manufacturing		Marketing, distribution and retailing		Investment holding		Consolidated	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
ASSETS AND LIABILITIES								
Segment assets	69,535,772	52,065,774	111,689,989	111,821,957	8,833,690	13,421,155	190,059,451	177,308,886
Investment in associated companies	-	-	-	-	15,334,827	10,226,504	15,334,827	10,226,504
Unallocated assets							127,087	170,751
Total assets							205,521,365	187,706,141
Segment liabilities	(6,008,972)	(4,325,884)	(34,879,242)	(36,012,607)	(1,043,980)	(1,612,110)	(41,932,194)	(41,950,601)
Unallocated liabilities							(30,058,396)	(23,383,612)
Total liabilities							(71,990,590)	(65,334,213)
OTHER INFORMATION								
Capital expenditure	18,271,304	8,536,459	507,201	1,123,065	176,212	87,520	18,954,717	9,747,044
Depreciation and amortisation	2,895,402	2,621,211	1,934,786	1,920,658	116,220	132,115	4,946,408	4,673,984
Fair value adjustment of investment properties	-	-	-	-	(986,626)	-	(986,626)	-
Non cash items other than depreciation and amortisation	103,069	157,286	3,657,025	1,601,198	3	75,707	3,760,097	1,834,191

(ii) Geographical segments

In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets:

	Malaysia		Singapore		Consolidated	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
Revenue	197,162,128	187,820,441	38,775,399	36,467,435	235,937,527	224,287,876
Segment assets	165,703,621	155,449,269	24,355,830	21,859,617	190,059,451	177,308,886
Capital expenditure	18,877,417	9,559,873	77,300	187,171	18,954,717	9,747,044

34. SIGNIFICANT EVENT DURING THE YEAR

Acquisition of an Associated Company

On 30 April 2007, the Company completed its acquisition of twenty percent (20%) of the issued and paid up share capital of Maritzberg Investments Limited ("MIL"), a company incorporated in British Virgin Island, for a total cash consideration of USD1,092,500 (equivalent to RM3,870,090) from PT Maramakmur Seleras ("PTMS"), resulting in MIL becoming an associated company on that date.

35. SUBSEQUENT EVENT

On 15 April 2008, the Company subscribed to 105,000 ordinary shares in Chastal Maketing Pte Ltd ("CMPL") at S$1.00 per ordinary share, representing 35% of the issued and paid-up share capital of CMPL. CMPL is a newly incorporated private limited company in Singapore whose principal activity is the marketing and distribution of consumer and healthcare products.

List of Properties
as at 31 December 2007

Registered Owner & Address	Land area sq.metres	Built-up area sq.metres	Existing use/ Description	Tenure/ (Expiry date) Age of building	Net Carrying Amount as at 31/12/07	Date of last revaluation/ acquisition
APEX PHARMACY CORPORATE SDN BHD						
Unit No. F120 First Floor, Holiday Plaza, Jalan Dato' Sulaiman, Century Garden, Johor Bahru, Johor Darul Takzim	-	159	Leased / 1 parcel of commercial space located on the 1st floor of Holiday Plaza	Freehold / - 23 years old	1,000,000	Acquired - Aug 2004
Unit No. B5 Level 1, Block B, Pusat Bandar Damansara, Jalan Damanlela, Kuala Lumpur	-	116	Leased / 1 unit of intermediate shoplots	Freehold / - 23 years old	1,250,000	Acquired - Aug 2004
Unit No. B6 Level 1, Block B, Pusat Bandar Damansara, Jalan Damanlela, Kuala Lumpur	-	133	Leased / 1 unit of intermediate shoplots	Freehold / - 23 years old	1,430,000	Acquired - Aug 2004
Lot No. 99, Town Area XXXVIII (38), District of Melaka Tengah, Melaka	156	272	Leased / 2- storey shophouse	Leasehold / (exp. 2075) 33 years old	220,000	Acquired - July 2004
Lot No. 564, 569 & 571 Town Area XIX (19) District of Melaka Tengah, Melaka	130	330	Pharmacy outlet / 3- storey shophouse	Freehold / - 43 years old	446,000	Acquired - Apr 2004
Unit No. 48 Erected on Lot No. PT 1718 Town Area XXI (21) District of Melaka Tengah, Melaka	137	603	Warehouse cum office / 4 1/2 - storey shop office	Leasehold / (exp. 2084) 17 years old	773,639	Acquired - Aug 2004
Unit No. H-G-33 (D) AH - 106, Batu Kawah New Township, Jalan Batu Kawa, Kuching, Sarawak	98	98	Warehouse / Ground Floor, Block H, Commercial (D) Plot 14	Leasehold / (exp. 2058) 7 years old	217,643	Acquired - Aug 2004
Unit No. H-G-33A (F1) AH - 107, Batu Kawah New Township, Jalan Batu Kawa, Kuching, Sarawak	127	127	Warehouse cum office / Ground Floor, Block H, Commercial (D) Plot 14	Leasehold / (exp. 2058) 7 years old	341,187	Acquired - Aug 2004

Registered Owner & Address	Land area sq.metres	Built-up area sq.metres	Existing use/ Description	Tenure/ (Expiry date) Age of building	Net Carrying Amount as at 31/12/07	Date of last revaluation/ acquisition
XEPA-SOUL PATTINSON (MALAYSIA) SDN BHD						
Lot Nos. PT 1375, 1376 & 1377, Mukim of Bertam, District of Melaka Tengah, Melaka (Cheng Industrial Estate - Phase 1)	29,264	9,427	Factory Complex / 1 1/2 - storey Factory Building New Liquids Pharma Plant	Leasehold / (exp. 2096) 15 years old -	20,552,210	Revalued - Apr 2004 Commissioned Nov 2007
Lot Nos. PT 1374 Mukim of Bertam, District of Melaka Tengah, Melaka (Cheng Industrial Estate - Phase 1)	9,698	-	Car park	Leasehold / (exp. 2096)	1,584,839	Revalued - Apr 2004
APEX PHARMACY MARKETING SDN BHD						
H.S. (D) 4636, No. Lot 4892 Mukim Damansara, Daerah Petaling, Negeri Selangor	10,116	929	Industrial Land / Corporate Office and Distribution Centre	Freehold - 3 years old	5,450,000 7,705,231	Revalued - Apr 2004 Commissioned May 2005
APEX PHARMA MARKETING PTE LTD (formerly known as APEX PHARMACY MARKETING PTE LTD)						
49 Tannery Lane, #04-01 & 04-07 Noble Warehouse Singapore 347796	-	700	Industrial Land / Warehouse	Freehold - 22 years old	3,701,362	Revalued - Dec 2004
	49,725	12,895			44,672,111	

Revaluation Policy:
Properties are revalued once every five (5) years as from Year 2000 by an independent firm of qualified valuers

Analysis of Shareholdings

as at 31 March 2008

Authorised Shared Capital	:	RM100,000,000
Issued and Fully Paid-up Capital	:	RM74,973,500
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	1 Vote per Ordinary Share

ANALYSIS OF HOLDINGS AS AT 31 MARCH 2008

Category	No. of Holders	Percentage (%)	No. of Shares	Percentage (%)
1 - 99	18	1.04	804	0.00
100 - 1,000	187	10.81	161,113	0.21
1,001 - 10,000	1,290	74.57	3,906,400	5.21
10,001 - 100,000	186	10.75	4,830,800	6.44
100,001 - 3,748,674	46	2.66	17,075,080	22.78
3,748,675 AND ABOVE	3	0.17	48,999,303	65.36
TOTAL :	1,730	100.00	74,973,500	100.00

LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2008

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
1	Apex Pharmacy Holdings Sendirian Berhad	26,303,161	35.08
2	Washington H. Soul Pattinson and Company Limited	11,879,000	15.84
3	Washington H. Soul Pattinson and Company Limited	10,817,142	14.43
4	Apex Pharmacy Holdings Sendirian Berhad	1,907,000	2.54
5	Apex Pharmacy Holdings Sendirian Berhad	1,455,000	1.94
6	Lim Teh Realty Sdn Berhad	1,040,000	1.39
7	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Opportunities Fund	950,000	1.27
8	HSBC Nominees (Asing) Sdn Bhd TNTC for Utopia Core Fund	730,000	0.97
9	HSBC Nominees (Asing) Sdn Bhd TNTC for Utopia Growth Fund	681,000	0.91
10	Md Ali Bin Md Dewal	643,108	0.86
11	Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Kee Kirk Chin	600,000	0.80
12	Rosina Binti Aladad Khan	575,000	0.77
13	HSBC Nominees (Asing) Sdn Bhd TNTC for Utopia Core Conservative Fund	454,000	0.61

LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2008 (Cont'd)

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
14	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai (Margin)	441,800	0.59
15	Liew Yoon Yee	420,000	0.56
16	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank NA (Charles Schwab)	387,500	0.52
17	Liew Yoon Yee	360,000	0.48
18	Teoh Choon Neo @ Ivy Teoh Choon Neo	350,000	0.47
19	Fam Keat Hong	337,700	0.45
20	Tan Yan Meng Warren	337,500	0.45
21	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kwee Hock (Margin)	317,700	0.42
22	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for MAAKL Dividend Fund (5311-401)	300,000	0.40
23	Tengku Puan Nor Sa'adah Binti Al-Marhum Sultan Sulaiman Shah	273,972	0.37
24	South Quay Holdings Sdn Bhd	270,100	0.36
25	Ang Kai Chan	270,000	0.36
26	Chan Heng Koon	264,000	0.35
27	Xepa Holdings Sendirian Berhad	260,000	0.35
28	Teoh Choon Neo @ Ivy Teoh Choon Neo	250,000	0.33
29	Tan Yan Meng Warren	225,000	0.30
30	HSBC Nominees (Asing) Sdn Bhd TNTC for Utopia Yield Income Fund	220,000	0.29
TOTAL		63,319,683	84.46

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2008
(per Register of Substantial Shareholders)

	Direct		Indirect	
Name of Substantial Shareholders	**No. of Ordinary Shares**	**%**	**No. of Ordinary Shares**	**%**
Apex Pharmacy Holdings Sdn Bhd	29,935,161	39.93	-	-
Washington H. Soul Pattinson and Company Limited	22,696,142	30.27	-	-
Xepa Holdings Sdn Bhd	260,000	0.35	29,935,161 (1)	39.93
Apex Holdings (Pte) Ltd	121,000	0.16	30,195,161 (1)	40.28
Kee Tah Peng @ Hee Teck Peng	205,000	0.27	30,346,161 (4)	40.48
Dr Kee Kirk Chin	600,000 (2)	0.80	30,316,161 (1)	40.44
Xepa Holdings Pte Ltd	-	-	30,316,161 (1)	40.44
Yang Liew Fang	-	-	30,316,161 (1)	40.44
Kee Kirk Chuen	30,000 (3)	0.04	30,316,161 (1)	40.44
Dr Kee Loo	-	-	30,316,161 (1)	40.44
United Engineers Limited	-	-	29,935,161 (1)	39.93
UE UMC Pte Ltd	-	-	29,935,161 (1)	39.93
Great Eastern Holdings Limited	-	-	29,935,161 (1)	39.93
Oversea-Chinese Banking Corporation Limited	-	-	29,935,161 (1)	39.93

Notes:
(1) Deemed interest by virtue of Section 6A of the Companies Act, 1965.
(2) Held through nominee company.
(3) Partly held through nominee company.
(4) Deemed interest by virtue of Section 6A and Section 134(12)(c) of the Companies Act, 1965.

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2008
(per Register of Directors' Shareholdings)

Name of Director	Direct No. of Ordinary Shares	Direct %	Indirect No. of Ordinary Shares	Indirect %
Kee Tah Peng @ Hee Teck Peng	205,000	0.27	30,346,161[(1)]	40.48
Dr Kee Kirk Chin	600,000[(2)]	0.80	30,316,161[(3)]	40.44
Jackson Chevalier Yap-Kit-Siong	15,000	0.02	-	-
Leong Khai Cheong	15,000	0.02	-	-
Robert Dobson Miller	15,000	0.02	-	-
Dr Ahmad Kamal Bin Md Alif	210,000	0.28	-	-

Notes:
(1) Deemed interest by virtue of Section 6A and Section 134(12)(c) of the Companies Act, 1965.
(2) Held through nominee company.
(3) Deemed interest by virtue of Section 6A of the Companies Act, 1965.

Notice of Ninth
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting ("AGM") of Apex Healthcare Berhad ("AHB") will be held at Bunga Teratai Room, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka, on Wednesday, 21st May 2008 at 10.30 a.m. to transact the following business:-

1. To receive the Statutory Financial Statements for the financial year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon.	Resolution 1
2. To approve a final tax exempt dividend of 4.5 sen per share for the financial year ended 31 December 2007.	Resolution 2
3. To approve the payment of Directors' fees for the financial year ended 31 December 2007.	Resolution 3
4. To re-elect the following Directors retiring in accordance with Article 89 of the Company's Articles of Association:	
i. Dr Ahmad Kamal bin Md Alif	Resolution 4
ii. Robert Dobson Millner	Resolution 5
5. To consider and if thought fit, to pass the following resolution: "THAT Kee Tah Peng @ Hee Teck Peng, who retires pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."	Resolution 6
6. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration.	Resolution 7
As Special Business:- 7. To consider and if thought fit, to pass the following resolution, with or without modifications, as Ordinary Resolution of the Company: **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES** "THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue new shares in the Company at any time, at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."	Resolution 8
8. To consider and if thought fit, to pass the following resolution, with or without modifications, as Special Resolution of the Company: **PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION** "THAT the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company, more particularly set out in Appendix I attached to the 2007 Annual Report, be and is hereby approved."	Resolution 9
9. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.	

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a final tax exempt dividend of 4.5 sen per share for the financial year ended 31 December 2007, if approved, will be paid on 23 June 2008. The entitlement date for the payment is 2 June 2008.

A depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the Depositor's Securities Accounts before 4.00 p.m. on 2 June 2008 in respect of transfer; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
KWONG LIEN WAH (MIA 3422)
YEOH CHONG KEAT (MIA 2736)
Secretaries

Melaka
28 April 2008

Notes:

(i) A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies, and in the case of a corporation, a duly authorised representative to attend and vote in its stead.

(ii) A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.

(iii) Pursuant to paragraph 7.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Please indicate the securities account number where applicable.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.

(v) The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 134/2, Kompleks Perniagaan Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.

EXPLANATORY NOTE UNDER SPECIAL BUSINESS

Resolution 8

Ordinary Resolution 8 proposed under Agenda 7, if passed, will give the Directors of the Company, from the date of the forthcoming Annual General Meeting, authority to issue and allot ordinary shares from the unissued capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting of the Company.

Resolution 9

The Proposed Amendment to the Company's Articles of Association under Resolution 9 is in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

Statement Accompanying Notice of
Annual General Meeting

1 Names of Individuals Who Are Standing for Re-election or Re-appointment

The directors standing for re-election in accordance with Article 89 of the Company's Articles of Association are Dr Ahmad Kamal bin Md Alif and Robert Dobson Millner.

Kee Tah Peng @ Hee Teck Peng is standing for re-appointment under Section 129(6) of the Companies Act, 1965.

2 The Details of Attendance of Directors at Board Meetings

Details of attendance of Directors at Board Meetings during financial year 2007 are as follows:

Director	28 Feb	23 May	22 Aug	21 Nov
Kee Tah Peng @ Hee Teck Peng	✓	✓	✓	✓
Dr Kee Kirk Chin	✓	✓	✓	✓
Robert Dobson Millner	✓	✓	✓	✓
Jackson Chevalier Yap-Kit-Siong	✓	✓	✓	✘
Leong Khai Cheong	✓	✓	✓	✓
Dr Ahmad Kamal bin Md Alif	✓	✓	✓	✓

3 The Place, Date and Hour of the Ninth Annual General Meeting

Date : Wednesday, 21st May 2008
Hour : 10.30 a.m.
Place : Bunga Teratai Room, 7th Floor,
Renaissance Melaka Hotel,
Jalan Bendahara, 75100 Melaka

4 Further Details of Individuals Standing for Re-election or Re-appointment as Directors

Details of all directors, including those standing for re-election or re-appointment, will be found on page 7 to 9. Details of securities holdings of directors in the Company are listed on page 94.

Appendix I

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Articles of Association of the Company are proposed to be amended in the following manner:

Article No.	Existing Provisions	Proposed Amendment
2	**Definition** Approved Market Place - A stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No.2) Order 1998	Deleted
33	**Transfer of shares from foreign register** Transfer of shares from Foreign Register where – (a) the shares of the Company are listed on an approved market place; and (b) the Company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act, 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Central Depository in respect of such shares, the Company shall, upon request of a member, permit a transfer of shares held by such member from the register of members maintained by the registrar of the Company in the jurisdiction of the approved market place (hereinafter referred to as "the Foreign Register"), to the Register maintained by the registrar of the Company in Malaysia subject to the following conditions:- (i) there shall be no change in the ownership of such shares; and (ii) the transfer shall be executed by causing such shares to be credited directly into the securities account of such member. For the avoidance of doubt, if the Company fulfils the requirements of paragraphs (a) and (b) above, the Company shall not allow any transfer of shares from the Register into the Foreign Register.	**Transmission of securities** Where:- (a) the securities of the Company are listed on another stock exchange; and (b) the Company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act, 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Depository in respect of such securities, the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

Apex Healthcare Berhad
(473108-T)

No. of Shares held	
CDS Account No.	

Form of Proxy

I/We, ______________________________ NRIC/Company No. ______________________________
(Please use block letters)

of ____
(Full Address)

being a member/members of **APEX HEALTHCARE BERHAD**, hereby appoint ______________________________

of ____ or

failing him/her, ______________________________ of ______________________________

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Ninth Annual General Meeting of the Company to be held at Bunga Teratai Room, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Wednesday, 21st May 2008 at 10.30 a.m. and at any adjournment thereof on the following resolutions referred to in the Notice of Ninth Annual General Meeting.

My/Our proxy is to vote as indicated below:-

RESOLUTIONS	*FOR	*AGAINST
1. To receive the Statutory Financial Statements for the financial year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon.		
2. To approve a final tax exempt dividend of 4.5 sen per share for the financial year ended 31 December 2007.		
3. To approve the payment of Directors' fees for the financial year ended 31 December 2007.		
4. To re-elect Dr Ahmad Kamal bin Md Alif retiring in accordance with Article 89 of the Company's Articles of Association.		
5. To re-elect Robert Dobson Millner retiring in accordance with Article 89 of the Company's Articles of Association.		
6. To re-appoint Kee Tah Peng @ Hee Teck Peng retiring in accordance with Section 129 of the Companies Act, 1965.		
7. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS		
8. To authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		
9. To ammend the Company's Articles of Association.		

*Please indicate with an "X" in the appropriate spaces on how you wish your vote to be cast. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.

Dated this ______________ day of ________________ 2008

____
Signature of Member(s) or Common Seal

Notes:

(i) A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies, and in the case of a corporation, a duly authorised representative to attend and vote in his stead.

(ii) A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.

(iii) Pursuant to paragraph 7.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Please indicate the securities account number where applicable.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.

(v) The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 134/2, Kompleks Perniagaan Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.

Affix
Stamp

The Company Secretaries

APEX HEALTHCARE BERHAD (473108-T)
134/2 Kompleks Perniagaan Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka
Malaysia