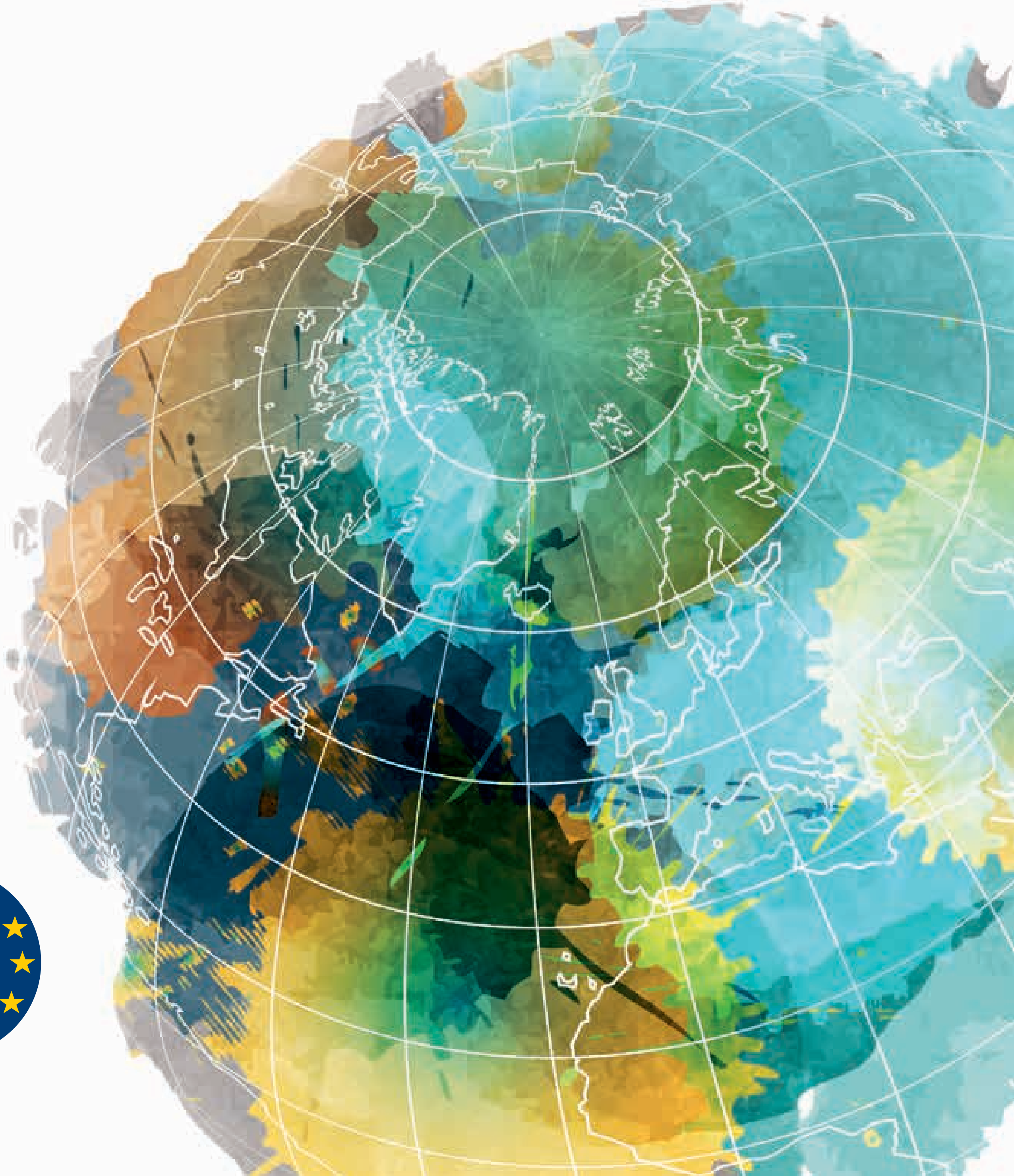
Apex Healthcare
Service • Quality • Integrity

2017
ANNUAL REPORT

RESTORING HEALTH
ENHANCING LIFE



AWARDED EU GMP

We provide product dossiers & licensing for a wide range of pharmaceutical products. In addition, our experts will be able to advise you in the area of idea generation, product design and detail engineering.

DOSSIER

MANUFACTURING

At Xepa, we are meticulous in the manufacturing of safe and efficacious pharmaceutical products.

Our quest for excellence in quality is reflected in the elaborated production facilities, monitoring and control systems and the comprehensive training of our staff. Both the laboratory and the management system are ISO certified, and a world-class GMP is upheld throughout the manufacturing process.

MARKETING

We specialize in brand building and positioning. Our team conceptualize innovative ideas & develop effective marketing strategies that establish distinct brand presence in the highly competitive global market place.

Xepa sp

Xepa-Soul Pattinson (Malaysia) Sdn Bhd (8504-M)
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www.xepasp.com

Restoring Health
Enhancing Life

CONTENTS

Business

Through manufacturing and distribution, Apex makes quality pharmaceutical and healthcare products available to our valued customers via its comprehensive supply channels.

Since our establishment in 1962, our business has been focused on making pharmaceutical and healthcare products available to customers in the markets in which we operate, through manufacturing and distribution, and in a manner which fairly rewards all stakeholders. We know our business intimately and have a growing network of loyal customers; this will remain our business for the future. Our confidence in our business stems from a conscious decision to focus resources on our area of expertise, which enables us to increase our capabilities, efficiencies and understanding of underlying trends in the industry.

CORPORATE INFORMATION

COMPANY SECRETARIES
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STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad
Main Market
Stock Code : 7090
Stock Name : AHEALTH

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Malayan Banking Berhad
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100 Jalan Tun Perak
50050 Kuala Lumpur

Hong Leong Bank Berhad
345 Jalan Ong Kim Wee
75300 Melaka

United Overseas Bank (Malaysia) Berhad
Level 18 Menara UOB
Jalan Raja Laut
50350 Kuala Lumpur

Board Charter
Code of Conduct
Sustainability Statement
Whistleblowing Policy & Procedure
Privacy Policy
Information on the above
can be found at www.apexhealthcare.com.my

GROUP WEBSITES
www.apexhealthcare.com.my
www.apexpharma.com.my
www.xepasp.com
www.apexpharma.com.sg
www.apexpharmacy.com.my

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Contact Person : Mr Leighton Kee
Email : enquiry@apexpharmacy.com.my

Mission

Restoring Health, Enhancing Life

Apex's mission is to bring better health and quality of life to all through its businesses. Doctors and Pharmacists use our medicines and diagnostic devices to treat and manage infections, cardiovascular, metabolic, gastroenterological, rheumatic conditions and more. Consumers use our medicated powder, nutritional supplements and other healthcare related products to enhance their wellbeing. We take heart in knowing that our products play a role in the restoration of health and enhancement of life in those who use and trust them.

CORPORATE STRUCTURE

Apex Healthcare
Service • Quality • Integrity

Apex Healthcare Berhad
(473108-T)

- 100% Apex Pharmacy Marketing Sdn Bhd
- 100% Apex Pharma Marketing Pte Ltd
- 100% Apex Pharmacy Corporate Sdn Bhd
- 100% Avex Pharmaceuticals Pte Ltd
- 100% First SGC Pte Ltd
- 100% ABio Marketing Sdn Bhd
- 100% Xepa-Soul Pattinson (Malaysia) Sdn Bhd
  - 100% Xepa-Soul Pattinson (S) Pte Ltd
- 100% Apex Retail Sdn Bhd
  - 60% CS Health Store Sdn Bhd
- 40% Straits Apex Sdn Bhd
  - 100% ABio Orthopaedics Sdn Bhd
  - 100% Straits Orthopaedics (Mfg) Sdn Bhd

LETTER FROM THE CHAIRMAN

DEAR SHAREHOLDERS

On behalf of the Board of Directors of Apex Healthcare Berhad ("AHB"), I am pleased to report that our company continued to consolidate our position as a leading healthcare company with record revenue of RM 620 million in 2017, a growth of 6.7% over that achieved in 2016, the seventeenth consecutive year of revenue growth since our Initial Public Offering ("IPO") in 2000. Profit before tax reached a new high of RM 56 million, an improvement of 21% over last year, helped by increased contributions from wholly owned subsidiary Xepa-Soul Pattinson (Malaysia) Sdn Bhd and associate company Straits Apex Sdn Bhd.

In view of the strong financial performance of the Group in 2017, the Board of Directors has proposed an increased final single-tier dividend of 6.5 sen per ordinary share in respect of financial year 2017 for shareholders' approval at the forthcoming Annual General Meeting ("AGM") on 24th May 2018. In all, total dividends paid and payable by the Group in respect of financial year 2017 is 12 sen per ordinary share, an increase of 0.5 sen over the 11.5 sen paid in respect of financial year 2016.

The strong performance of the Group in 2017 was the result of exceptional execution and commitment of the Group's 1,177 employees to our strategies, as we continually seek to make available the best healthcare products through comprehensive channels to all our valued customers. Whether it be research and development, design and manufacturing, branding and marketing, sales and distribution, finance and corporate services, our over-arching mission is to restore health and enhance lives in the countries we operate. I refer you to the "Management Discussion and Analysis" on page 7, where we discuss the Group's performance in 2017 in greater detail and depth.

I would like to make a special mention of the award of European Union Good Manufacturing Practice ("EU GMP") certification to our pharmaceutical manufacturing subsidiary Xepa-Soul Pattinson (Malaysia) Sdn Bhd on 1st September 2017. I applaud the extraordinary efforts of the team members in obtaining this certification. This opens new future opportunities for us, and together with the construction of SPP NOVO, a new Oral Solid Dosage manufacturing plant, we continue to sow the seeds for future harvest.

In the Focus Malaysia issue of July 29-Aug 4 2017, AHB was listed in the Focus List as the top 28 and top 39 fastest-growing Malaysian public listed company in terms of percentage revenue growth and net profit growth respectively among its peers with market capitalisation of RM500mil and above*. We were also nominated as one of the companies in the 7th Malaysia Investor Relations Survey for the category of "Best Investor Relations Website – Small" by Malaysian Investor Relations Association ("MIRA") in 2017. Recognition motivates us, and inspires us to do even better.

2017 marked the 55th anniversary for AHB since its founding, and 17 years since our IPO. Throughout, we have benefited from the wisdom and acumen of outstanding individuals who have served as our Directors. This year, I pay special tribute to a stalwart and Independent Director of the Group, Mr Tong Yew Sum who sadly passed away on 27th March 2018. Mr Tong joined Apex Pharmacy in 1965 as a pharmacist, holding various senior management positions before retiring in 2005 after a 40-year career. He returned to serve as Independent Director in 2014, offering deep insights and knowledge of the pharmaceutical industry. We will miss him.

At the AGM, Datuk Phang Ah Tong has been nominated for election as Independent Director. An economist by training, Datuk Phang retired as Deputy CEO of the Malaysian Investment Development Authority in 2017, after a distinguished career spanning 36 years of promoting foreign and domestic investments into Malaysia. A sought after international speaker and economic advisor, we are honoured to nominate him for independent directorship, and look forward to the addition of a seasoned global perspective in the formulation of our business strategies.

Finally, I record my heartfelt gratitude to all my colleagues for making 2017 a year of memorable milestones. Keen appreciation is accorded to all my fellow Directors for their candour, insights and expertise in guiding the Group. To our shareholders, I thank you for your continued support and confidence in us. Come what may, we will continue as we have started, building our company on our core values of Service, Quality and Integrity.

DR KEE KIRK CHIN
Chairman & CEO

Reference:

* Focus Malaysia "Steady revenue and profit growth : Focus List 50 fastest growing companies" July 29-Aug 4 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

A BUSINESS OVERVIEW

Business & Operations

Apex Healthcare Berhad is the investment holding company for a group of companies engaged in the development, manufacturing, marketing and distribution of pharmaceuticals, diagnostics, consumer healthcare products and orthopaedic devices. The Group has direct operations in Malaysia, Singapore, Vietnam and Myanmar.

The Group employs a total of 1,177 employees (including the headcount of Associated Company), operating two manufacturing plants in Melaka and Penang for pharmaceuticals and orthopedic devices respectively and a network of nine distribution warehouses throughout Malaysia and Singapore. The Group's business operations are organised into 3 main reporting segments from 5 key operating companies and their subsidiaries.

Reporting Segment	Business Operations	Operating Companies
Manufacturing and Marketing	Manufacturing and Marketing of Pharmaceutical Products	Xepa-Soul Pattinson (Malaysia) Sdn Bhd (XEPA) Xepa-Soul Pattinson (S) Pte Ltd
Wholesale and Distribution	Wholesale, Marketing and Distribution of Pharmaceutical, Diagnostic and Consumer Healthcare Products	Apex Pharmacy Marketing Sdn Bhd (APM) Apex Pharma Marketing Pte Ltd (APS)
Corporate	Retail Pharmacy and Group Properties Contract Manufacturing of Orthopaedic Devices	Apex Retail Sdn Bhd (ARSB) Straits Apex Sdn Bhd (SA)

Objective

The mission of Apex Healthcare Berhad is "Restoring Health, Enhancing Life" and this is translated practically into our Group's business objective, which is "Apex makes available the Best healthcare products through its Comprehensive Channels to its valued Customers" or the ABC Objective for short.

The portfolio of healthcare products offered by the Group comprises pharmaceuticals, over-the-counter consumer healthcare products, diagnostics and surgical supplies. A growing proportion of these carry wholly owned internal brands of the Group ("Group Brands"); namely XEPA, AGNESIA, AVEX, AVO and AEVA; while the rest are brands owned by external principals for whom the Group provides regulatory, sales, marketing and distribution services. The Group's comprehensive direct distribution channels reaches hospitals, clinics, independent and chain pharmacies, supermarkets and health stores, enabling its healthcare products to reach its customers, namely doctors, pharmacists, nutritionists, retailers, and ultimately the patient or consumer seamlessly and in a timely manner.

Strategies

In the pursuit of its business objective, the Group adopts these key strategies:

- A customer centric approach – Keeping strong customer relationships enables the Group to keep a close pulse on changing needs of its customers and industry developments. Close engagement with customers engenders customer satisfaction, while customer feedback provides valuable insights that guide the research and development of new products. The comprehensive distribution channels of the Group allow quick access to the market, enabling its products to reach its customers in a timely manner.

- Fair pricing that delivers value - The Group offers its products at a price point that is of value to its customers while ensuring that a fair return is generated to reward shareholders and to enable further investments into research and development and continuous upgrading of business infrastructure.

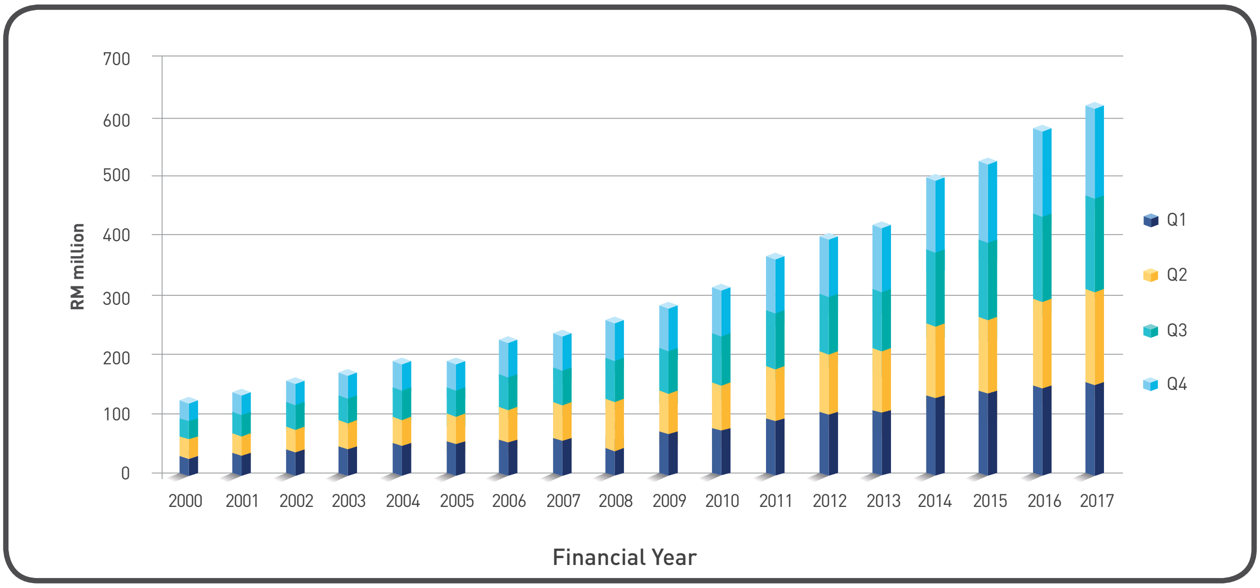
- Commitment of a career - Strategic management of human capital is essential to maintaining a competitive advantage for sustainable business operations. The Group's recruitment and selection process ensures that candidates with the right competencies are selected for their job descriptions. High potential employees with the best talents and skills are identified and groomed as part of succession planning. Training and development of the employees are a material sustainability matter identified by the Group that in the long-term will bring value to the Group and all its stakeholders. As its employees commit to a career with Apex Healthcare Berhad Group, the organisation commits to develop them to their fullest potential.

B FINANCIAL RESULTS AND CONDITION

Revenue

Apex Healthcare Berhad Group recorded consolidated revenue of RM 620 million in 2017, 6.7% higher than 2016, making the seventeenth consecutive year of revenue growth since its Initial Public Offering in 2000. While all key business units performed consistently, revenue growth was strongest in pharmaceutical sales to the Government sectors in both Malaysia and Singapore, the result of successful tenders. Revenue from contract manufacturing services increased 117% over the previous year. Geographically, revenue from the Group's business activities in Malaysia accounted for 69% of total revenue, with international markets accounting for the remainder.

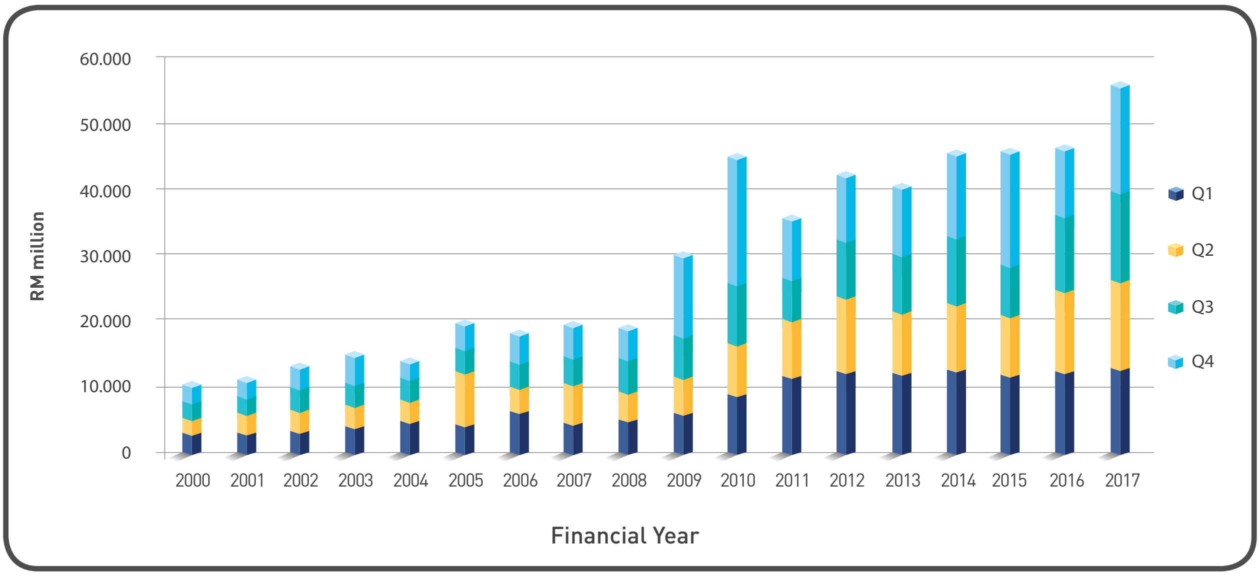
The following chart shows the Group's revenue since 2000 with additional information illustrating quarterly revenue contributions:



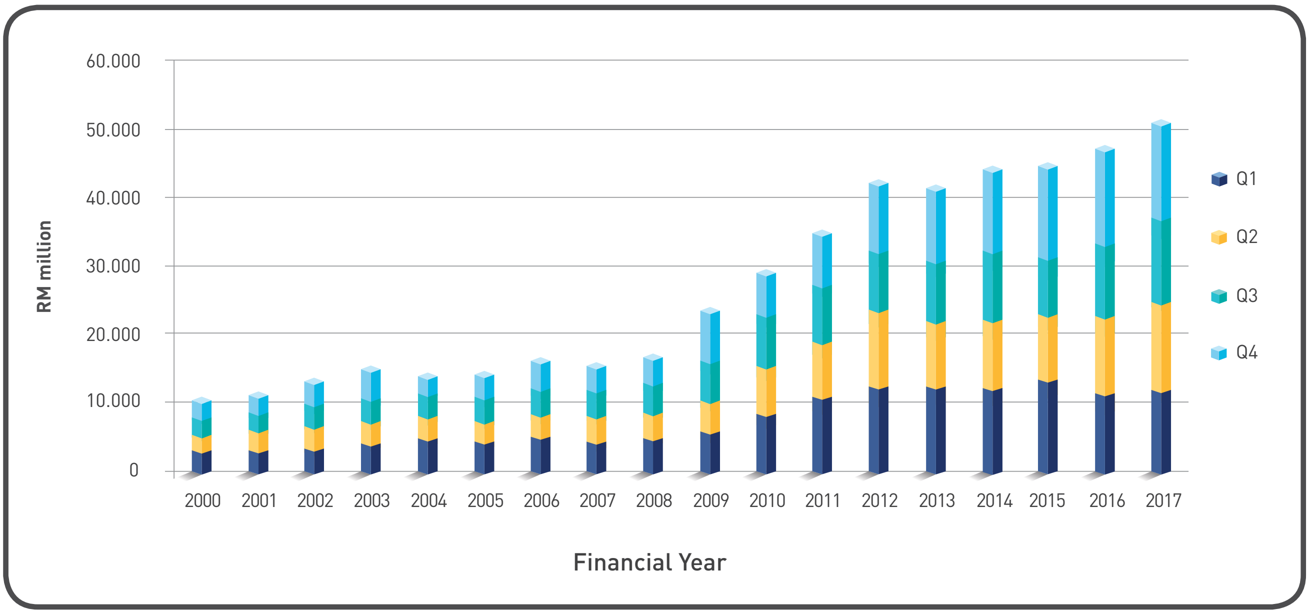
Profit Before Tax

Profit before tax for the full year is RM 56.0 million, 21% higher than the RM 46.3 million achieved in 2016, attributed mainly to increased contributions from wholly owned subsidiary Xepa-Soul Pattinson (Malaysia) Sdn Bhd and associate company Straits Apex Sdn Bhd.

The following chart illustrates the historical record of the Group's profit before tax since 2000:



The following chart illustrates the Group's historical profit before tax after eliminating all non-recurring income and adjustments as well as the share of results from associated companies since 2000:



Earnings Per Share

The following chart illustrates the Group's Earnings Per Share ("EPS") since 2000:

~ Bonus issue of 1 new ordinary share for every 2 existing shares in year 2003.

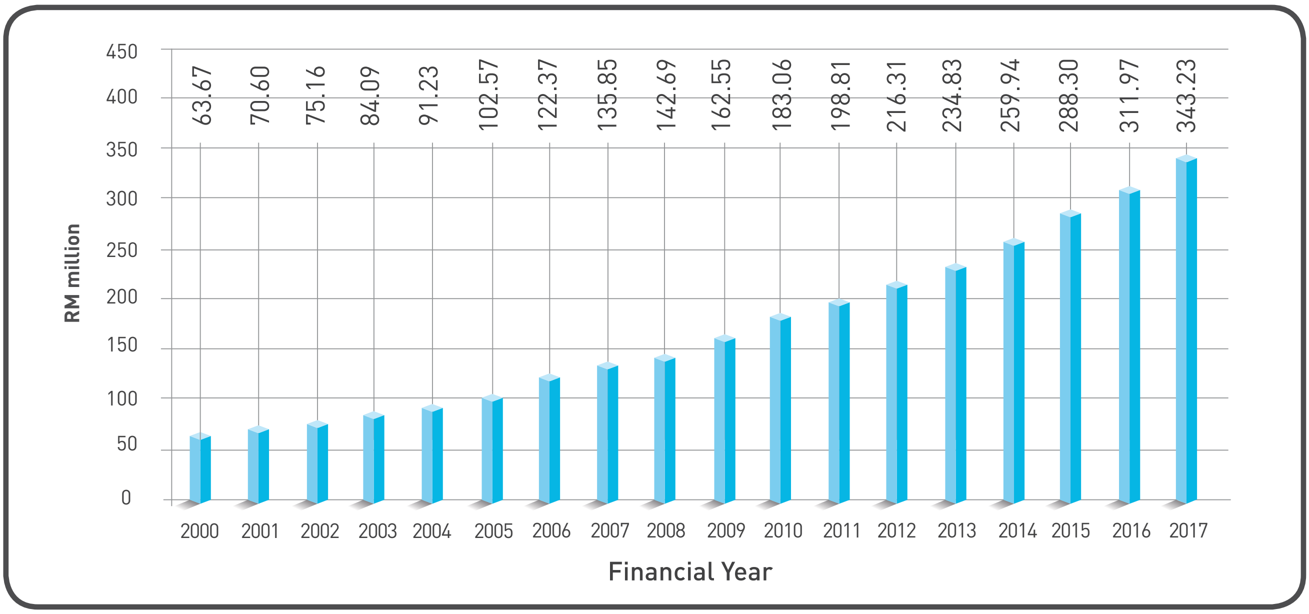
+ Private placement of 6,600,000 new ordinary shares in year 2006.

^ Bonus issue of 1 new ordinary share for every 4 existing shares in year 2010.

* Bonus issue of 1 new ordinary share for every 4 existing shares in year 2014.

Shareholders' Funds

The following chart illustrates Shareholders' Funds of the Group since 2000:



Share of Results from Associates

Revenue of the SA Group grew marginally by 1% over the previous year, with its focus firmly on efforts to serve its current group of customers whilst refining and adding new manufacturing capabilities to reach a widened group of potential new customers. The Group's share of results from associated company rose to RM 5.4 million in 2017, significantly better than the loss of RM 0.2 million recorded in 2016, which was affected by a non-recurring impairment amounting to RM 4.2 million arising from the Group's investment in SA.

New Product Launches

In 2017, the portfolio of Group branded pharmaceuticals and consumer healthcare products continued to expand with the number of new product launches meeting planned targets. Under the existing Group Brands, the products that were launched in 2017 include *Altra Chewable Tablet 4mg*, *Evofen Suspension*, *Avera Gel*, *Buzzqito, Azytro Tablet*, *Defuzin Cream 5g and Defuzin Ointment 5g and 15g*. Further information on these products is available under the section on "Review of Operating Activities".

Financial Position and Liquidity

The financial position and liquidity of the Group remain strong in 2017, helped by improvements in inventory turnover days to 41 days (2016: 42 days) and trade receivables credit days of 80 days (2016: 87 days). Total liquid funds stand at RM 80.9 million at 31st December 2017, marginally lower than the RM 82.0 million recorded at the end of financial year 2016, despite capital expenditure outflows amounting to RM 28.8 million as progress payments for the construction of SPP NOVO and purchase of office space at Pavilion Damansara Heights. Net assets per share rose from RM 2.66 in 2016 to RM 2.93 per share in 2017.

Capital Expenditure, Structure and Resources

The Group had previously disclosed two capital expenditure projects.

In Q3 2016, the Group entered into sale and purchase agreements to acquire 10,053 square feet freehold office suites in the mixed development Pavilion Damansara Heights for a consideration of RM 9.1 million. Construction is in progress and at 31st December 2017, the Group had made progress payments totaling RM 3.6 million. This acquisition is funded by internal cash.

In Q4 2016, the Group commenced the construction of SPP NOVO, a new Oral Solid Dosage manufacturing plant, with a revised estimate cost of RM 80 million and a total built up area of 19,406 square metres. Construction is in progress and SPP NOVO is expected to be commissioned in the fourth quarter of 2018. At 31st December 2017, the Group had prepaid capital expenditure totaling RM 25.2 million in respect of this project. A RM 37 million financing facility secured from United Overseas Bank (Malaysia) Berhad to part finance the construction of SPP NOVO was not drawn down in 2017. It is anticipated that this facility will be utilised in the course of 2018.

At 31st December 2017, the Group remains in a net cash position with negligible borrowings.

Known Trends and Events

A measure of geopolitical risks and economic uncertainty owing to foreign currency fluctuations lingered over the horizon from 2016 into 2017. The significant weakening of the Ringgit in the second half of 2016 did not persist, with the Ringgit strengthening progressively throughout 2017[1]. This will result in better cost management of imported raw materials, finished goods and production machinery for the Group. The imposition of tariffs[2] on overseas imports into the United States of America continue to be a possible threat to the SA Group engaged in the contract manufacturing of orthopaedic devices, as the majority of their customers are based in the United States. By and large, the Group is of the view that the overall economic outlook for 2018 remains fair and there are no known trends and events that are reasonably likely to have a material effect on the Group's operations, performance, financial condition, and liquidity.

C REVIEW OF OPERATING ACTIVITIES

Manufacturing & Marketing

<u>Manufacturing</u>

Wholly owned manufacturing subsidiary Xepa-Soul Pattinson (Malaysia) Sdn Bhd ("XEPA") was awarded a Certificate Of GMP Compliance Of A Manufacturer ("EU GMP Certificate") on 1st September 2017 for its manufacturing site located at Cheng Industrial Estate in Melaka by OGYÉI, the National Institute of Pharmacy and Nutrition Hungary, which is the national competent authority of Hungary, on behalf of the European Medicines Agency. The EU GMP Certificate attests that XEPA is in compliance with the principles and guidelines of Good Manufacturing Practice as laid down in Directive 2003/94/EC of the European Commission.

This prestigious certification was awarded to XEPA for its manufacturing operations of human medicinal products, encompassing all currently produced dosage forms, namely tablets, capsules, liquids, oral suspensions, creams, ointments and sterile eye drops, as well as their packaging and quality control testing. Currently, the production and laboratory facilities of XEPA are also PIC/S, ISO 17025, ISO 9001:2015 and ISO 13485 certified. The EU GMP certification endorses XEPA as a world-class pharmaceutical manufacturer and supports XEPA's ambition to capitalise on opportunities in European and other developed markets.

In the fourth quarter of 2017, XEPA installed additional blister packing facilities and a new Waste Water Treatment Plant to meet rising manufacturing output. The completion of the new Oral Solid Dosage manufacturing facility, SPP NOVO, in the fourth quarter of 2018, will significantly increase XEPA's manufacturing capability and capacity for tablets and capsules through enhanced automation, digital integration of process control and an expanded building management system. Installed production capacity for solid dosage forms will double upon commissioning of SPP NOVO.

In 2017, XEPA was appointed as the contract manufacturer of well-known sterile eye preparations *Eye Mo Moist* and *Eye Mo Regular*, adding to a growing list of contract manufacturing customers. The Group is optimistic that this will herald more opportunities to provide contract manufacturing services in the future. The infrastructure, capabilities and capacities are in place to capitalise on contract manufacturing opportunities that may arise.

Marketing

XEPA, together with its wholly owned sales and marketing subsidiary in Singapore, reported significant consolidated revenue growth in 2017 of 17% over 2016 to RM 130 million, supported by strong increases in sales to the government sectors in Malaysia and Singapore as well as contract manufacturing services. Programs to build brand presence continue unabated, with XEPA continuing its series of national medical education talks under its SHINE (Supporting Healthcare Improvement & Nurturing Excellence) Programme for doctors and pharmacists in 6 cities, including Melaka, Penang and Kuala Lumpur, covering key topics in respiratory medicine and dermatology. To strengthen customer relationship management ("CRM"), implementation of XEPA's proprietary CRM system, *AXForce*, was extended to more sales territories and enhanced with new features.

Overall, the top two products by revenue in 2017 were cough syrups *Bena* and *Tussidex*, reinforcing the position of XEPA as the market leader in cough and cold remedies. XEPA added *Altra Tablet 4mg* (montelukast), which is indicated for asthma and seasonal allergic rhinitis, as well as *Defuzin Ointment 5g &15g* and *Defuzin Cream 5g* (fusidic acid) for treatment of bacterial skin infections, to its product portfolio in 2017. Expenditure on research and development for new products as well as regulatory affairs to secure marketing authorisations in international markets continue to be stepped up.

Wholesale and Distribution

Business in the wholesale and distribution segment is carried out by two wholly owned Group subsidiary companies, Apex Pharmacy Marketing Sdn Bhd ("APM") in Malaysia and Apex Pharma Marketing Pte Ltd ("APS") in Singapore. APM comprises four business divisions: Wholesale, Pharma & Medical, Consumer Healthcare, Physical Distribution; supported by an Operations Division. APM achieved revenue growth of 5.7% over 2016 to reach RM 398 million, registering yet another consecutive year of growth in revenue.

Wholesale

True to its tagline "Medicines on call", the Wholesale Division provides a one-stop service offering clinics, pharmacies and hospitals an extensive range of pharmaceuticals and healthcare products in a convenient and efficient manner. A key division of APM, Wholesale Division revenue reached RM 128 million in 2017, contributing 32% to APM's revenue. In 2017, the top revenue contributors of Wholesale Division were pharmaceutical products from therapeutic groups such as vaccines and analgesics. With a comprehensive offering in excess of 5,000 inventory items through eight distribution depots, the division remains the leading pharmaceutical wholesaler in Malaysia.

Pharma and Medical

The revenue of the Pharma and Medical Division grew by 12.8% to reach RM 62 million in 2017 over the year before, from sale of both Group branded pharmaceutical (other than XEPA) and medical products as well as those from external principals such as Ranbaxy, Merz Pharma, 3M Malaysia and Ziwell Medical.

For Group brands, AVO Pharma recorded 25% revenue growth to emerge as the top Group brand in the divison. The key products of AVO Pharma include *Clavomax* (amoxicillin and clavulanic acid), *Avosoda* (urinary alkaliniser) and *Avonac SR* (diclofenac). *Avofer* which was launched in 2015 for the treatment of iron deficiency registered 68.2% growth, helped by tender supply to the National Kidney Foundation in 2017. AVO Pharma portfolio encompasses 17 products.

Since its launch in 2008, AVEX branded generic pharmaceuticals have grown consistently and in 2017, AVEX registered sales growth of 5.7% over 2016, establishing itself as the second highest Group brand in the division in terms of revenue. Growth is attributed to the strong performance of *Avezol* (fluconazole), *Prazovex* (alprazolam) and *Avevasc* (amlodipine). There are now 18 products in the AVEX portfolio.

AEVA, the latest Group Brand of the division was launched in 2016, continued to build its range of product offerings by launching three new products: *Evofen Suspension* (ibuprofen) an antipyretic, analgesic and anti-inflammatory, *Avera Gel* (choline salicylate and cetalkonium chloride) for teething and mouth ulcer and *Azytro Tablet* (azythromycin), an antibiotic. The products under AEVA brand are manufactured by XEPA, marking a successful collaboration between subsidiaries of the Group.

For Medical Devices, the revenue of key products under Group brand AVO Diagnostics, namely *Avometer Cholesterol Strips* and *Avometer Glucose Strips* grew by 39% and 16% respectively.

Consumer Healthcare

Revenue at the Consumer Healthcare Division increased by 6% over 2016 to reach RM 94.7 million, driven by the sale of products from principal agencies Nestle Health Science, Herbalceutical and Cosmoderm and Group brand HENNSON, a range of disposable adult diapers. To secure a more comprehensive coverage of the market, especially in the general trade sector, the division restructured its sales distribution system from a reliance on wholesalers to a network of exclusive sub-distributors in 2017.

The principal agency of the Consumer Healthcare Division is Nestle Health Science whose key products, *Nutren Diabetik* and *Nutren Optimum*, continued to register strong growth in market share. Another key product for the division is *NH Nutri Grains* from principal HerbalCeutical (M) Sdn Bhd. For Group brands, strategic advertising and promotional activities were implemented by the Consumer Healthcare Division in its efforts to grow the market share of its Group Brands, namely AGNESIA, KAPS, SALICO, SMART ATHLETE and HENNSON.

HENNSON registered promising sales in 2017 with new listings into private hospitals. Under KAPS, a new insect repellent *Buzzqito*, was launched in 2017.

Physical Distribution

Physical Distribution Division handles the warehousing and distribution of Group branded products as well as those from external principals. The division meets the needs of pharmaceutical and medical companies intending to outsource their in-country logistics operations by providing cost-effective regulatory and distribution services. In 2017, the Division registered a significant revenue growth of 10% over 2016 to reach RM 114 million, boosted by contributions from key external principals such as Hyphens Pharma and Rigel Pharma. Careful management of inventory and logistics has enabled the Division to reduce inventory holding cost and improve cash flow.

Operations

The Operations Division provides the infrastructure and network to support the business of the Group. Product safety regulations under the guidance of Good Distribution Practice ("GDP") and Good Distribution Practice for Medical Devices ("GDPMD") require sustained investment in premises, equipment and personnel to ensure that the products are stored, handled and transported in accordance with the product specifications through the supply chain. To manage these costs, the Division has put in place the necessary measures comprising process improvements, training and development of operators and effective utilisation of the SAP-ERP system. The Division is in the process of preparing the central warehouse in Subang Jaya which is currently ISO 9001:2008 certified to meet the quality management systems requirements of ISO 9001:2015.

Singapore

Wholly owned subsidiary Apex Pharma Marketing Pte Ltd ("APS") is the Group's sales, marketing and distribution arm in Singapore, supporting both Group Branded products as well as those from external principals. 2017 revenue reached RM 182 million, with the Wholesale and Pharma & Medical Divisions, growing strongly in 2017, ending the year 11% and 15% better respectively than 2016. The growth momentum in pharmaceutical wholesaling continued into 2017, with focus placed on excellent customer service, a widened portfolio of products, attractive pricing and the option of on-line ordering on APS' proprietary e-commerce platform. For the Pharma & Medical Division, line extensions by external principals and new tender supplies to Government helped lift sales in 2017.

The key principals for the Physical Distribution Division include XEPA, Merck-Serono, EuroAsia Medico and Amsco Healthcare. Key products distributed by APS in 2017 include the increased range and volume of XEPA products supplied to the Ministry of Health, Singapore, as well as primary and specialty care hormonal and fertility products from Merck-Serono. In 2017, APS added new principal lines, namely Dexa Medica, one of Indonesia's largest pharmaceutical companies, and Eye Lens, a medical device company, to its list of principals.

Corporate

Retail Pharmacies

The Melaka retail outlet was first opened by the Group's Founder, Mr Kee Tah Peng in 1962, and has remained open for business at the exact same location, No 83 Jalan Munshi Abdullah, Melaka, ever since. In 2017, this outlet was renovated and repositioned as the face of the Group's new online pharmacy business, an increasingly popular retail business model comprising key brick and mortar retail pharmacies complemented with a comprehensive e-commerce web store at **www.apexpharmacy.com.my**. The e-commerce platform offers an efficient internet platform for the Group to reach many more Malaysian consumers without the need to invest in a large chain of nationwide retail stores. E-commerce takes advantage of Malaysia's comprehensive and robust telecommunications coverage, high internet

penetration rates, secure payment infrastructure and government's supportive online commerce initiatives. Further, e-commerce in Malaysia is anticipated to grow at a compound annual growth rate that surpasses 11%[3] as Malaysian consumers increasingly prefer online shopping.

The retail pharmacy outlet at Johor Bahru recorded 10.8% revenue growth in 2017 compared to 2016. Taking into account the dampened retail sentiment, the Group has strategically rationalised retail pharmacy operations in Johor Bahru with focus on the retail outlet at City Square mall and cessation of operations at Komtar Johor Bahru City Centre.

<u>Group Properties</u>

All Group properties located within Malaysia (excluding the operating premises of XEPA and APM) are owned and managed by wholly owned subsidiary Apex Retail Sdn Bhd ("ARSB"). From 1st January 2018, property management services will be undertaken by Apex Pharmacy Corporate Sdn Bhd, enabling ARSB to focus solely on the retail pharmacy business and e-commerce. The construction of the six freehold strata suites comprising 10,053 square feet on Level 10 of Corporate Tower 2 in Pavilion Damansara Heights which was acquired in 2016 for a total consideration of RM 9.1 million is progressing on schedule.

<u>Orthopaedic Devices</u>

The Group's 40% associate company, Straits Apex Sdn Bhd ("SA"), is engaged in the contract manufacturing of orthopaedic devices for multinational customers. In 2017, Straits Orthopaedics (Mfg) Sdn Bhd, one of SA's subsidiaries, became a wholly owned subsidiary of SA. The other wholly owned subsidiary of SA is ABio Orthopaedics Sdn Bhd. To drive the business, efforts to broaden customer base, optimise manufacturing capacity and increase operational efficiencies are actively pursued to ensure growth. Share of results from SA rose to RM 5.4 million in 2017, significantly better than the loss of RM 0.2 million recorded in 2016, which was affected by a non-recurring impairment arising from the Group's investment.

D RISKS

Risk assessment exercises are conducted annually for all business units with the assistance of external consultants to identify, evaluate and update known and anticipated risks of the Group. The risks, related controls, risk responses and strategies to mitigate them are presented to the Audit Committee which also functions as the Risk Management Committee, and thenceforth to the Board of Directors. The Audit Committee monitors the implementation and progress of risk responses, aided by a program of internal audits in order to safeguard the interest of the Group and its stakeholders.

The key anticipated and known risks that the Group are exposed to which may have a material effect on the Group's operations, performance, financial condition and liquidity are foreign currency risks, regulatory compliance risks, data and Enterprise Resource Planning ("ERP") integrity risks and loss of key principals risks.

Foreign Currency Risks

The volatility and strength of the Ringgit, susceptible to uncertainties in the global economic environment, is an identified risk to the Group. A weakened Ringgit leads to higher cost of raw materials and imported finished goods, resulting in profit margin compression. Effort is continually directed at securing more competitive pricing from alternate sources, reducing wastage and eliminating inefficiencies in operations in order to preserve profit margins.

Regulatory Compliance Risks

The development, manufacturing and distribution of pharmaceuticals are closely regulated in all the markets the Group operates. Regulatory compliance is critical in ensuring uninterrupted manufacturing and distribution operations. Compliance is not restricted to current standards, but also ensuring the Group's manufacturing and distribution infrastructure is prepared for anticipated future standards when implemented. To manage regulatory compliance risks, the Group has established procedures and mechanisms to ensure full compliance and periodically invests in major infrastructure upgrades in anticipation of future regulatory demands. The attainment of the EU GMP Certificate and the construction of a new Oral Solid Dosage manufacturing plant, SPP NOVO, by XEPA are initiatives taken to mitigate regulatory compliance risks.

Data and ERP Integrity Risks

The strict management of proprietary, personal and confidential data and the stable operations of the Group's ERP systems is another key concern and risk, as the loss or corruption of such data and prolonged systems failures can result in loss of competitiveness and business opportunities. Stringent controls are in place for the management of data. ERP systems are rigorously maintained, tested and upgraded periodically to ensure operational reliability and stability. The Group's Information Technology department ensures all staff are well trained on adherence to strict protocols in the management of proprietary, confidential and personal data. Data and ERP Systems integrity is subject to periodic internal audits.

Loss of Key Principals Risks

The Group is mindful of the risks associated with high dependency on revenue contributions from key external principals. Competition is strong in the pharmaceutical distribution sector with aggressive margin pressure from competitors. The probability of internal reorganisation or business restructuring within key external principals exists, and turnover of key contact persons may impact business relationships built over time. To ensure retention of key external principals, the Group engages key external principals closely and ensure all deliverables and performance indicators are always met or exceeded.

E FORWARD-LOOKING STATEMENTS

Prospects for New Business

The EU GMP certification enables XEPA to pursue contract manufacturing opportunities in markets requiring EU GMP certification for tablets, capsules, liquids, oral suspensions, creams, ointments and eye drops. Future opportunities exist for the Group to register XEPA-branded generic pharmaceuticals for marketing and sales into new markets, while strengthening the standing of XEPA as a manufacturer of choice in its existing markets.

According to the Medical Device Industry Outlook Report 2017, an annual report from the Association of Malaysian Medical Industries (AMMI), a 12% growth in Malaysia's medical device exports to RM 17.74 billion in 2017 from RM 15.84 billion the year before was projected[4]. It was also reported that over 90% of medical devices manufactured in Malaysia are for exports. Against this background, the Group is optimistic that the prospects of its orthopaedic business remain firm while ensuring strategies are in place to optimise allocation of resources and broaden its customer base.

Trend, Outlook and Sustainability

From 2006 to 2016, the pharmaceutical market comprising prescription and over-the-counter drugs grew at an average annual rate of 8.3% to RM 8.6 billion. Pharmaceutical sales represented 16% of Malaysia's total healthcare expenditure in 2016. This growth has been driven by rising income, demographic changes and changes in lifestyle reuslitng in much higher incidence of non-communicable diseases. Prescription drugs sales represented 79% of the total pharmacetuical market in value terms in 2016. Concurrently, sales of generic pharmaceuticals have risen to 55% of Malaysian pharmaceutical market for the same period[5]. The trend is towards the increased use of generic pharmaceuticals, supported by the Malaysian Ministry of Health's drive to use generic drugs as a measure to reduce healthcare costs. Opportunities constantly arise with patent expiration of innovator drugs, entry into new international markets and rising healthcare needs of an ageing population for bioequivalent high-quality generics. As the core business of the Group involves generics pharmaceuticals, the fundamentals are well placed to capitalise on the opportunities afforded by the growth of the generics industry.

Therefore, the prospects for the manufacturing, marketing and distribution of pharmaceuticals and consumer healthcare products remain positive in the markets we operate. Operationally, effort is consistently directed at deepening research and development programs, widening the portfolio of new Group Brand products, penetration of new international markets, growing market share in existing markets and improving production efficiency.

The EU GMP certification, as well as the expected completion of SPP NOVO, a new Oral Solid Dosage manufacturing plant in 2018 for the Group's pharmaceutical manufacturing operations open future growth opportunities. The initiatives of the Group's associate company engaged in the contract manufacturing of orthopaedic devices to broaden its customer base, increase capacity utilisation and improve production efficiency continue to gain traction.

The overall economic outlook remains fair, and the Board is confident that barring unforeseen circumstances, the Group's consistent performance in 2017 and its continued focus on fundamentals will enable it to return another satisfactory performance in 2018.

Dividends

In view of the strong financial performance of the Group in 2017, the Board of Directors has proposed a final single-tier dividend of 6.5 sen per ordinary share in respect of financial year 2017 for shareholders' approval at the forthcoming Annual General Meeting on 24th May 2018. In all, total dividends paid and payable by the Group in respect of financial year 2017 is 12 sen per ordinary share, an increase of 0.5 sen over the 11.5 sen paid in respect of financial year 2016.

References

1. The Star Online "Ringgit to strengthen against US dollar at 3.93 – 3.95 in 2018, thanks to fundamentals." 22nd January 2018

2. The Straits Times "US slaps steep tariffs on imported washing machines and solar panels" 23rd January 2018

3. The Sun "E-commerce growth can surpass 11% by 2020: Mustapa". 16th March 2017.

4. The Edge Financial Daily "Bright prospects for medical device sector, but more talent needed". 7th August 2017.

5. Malaysian Competition Commission (MyCC) "Market Review on Priority Sector under Competition Act 2010: Pharmaceutical Sector" 27th December 2017.

Values

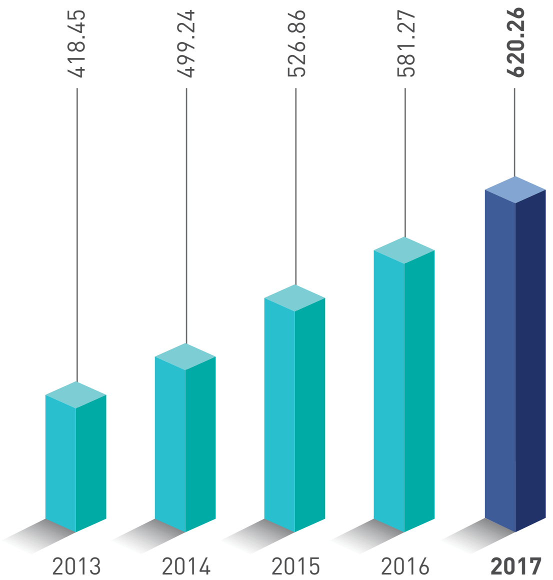
Service, Quality and Integrity, always

From the very first customer in 1962, Apex has striven to provide an efficient, professional and responsive touch in our dealings with suppliers, healthcare professionals, customers and all whom we come across. Service is an integral value to Apex. We will continually refine our processes and systems in order to ensure stringent certification to meet and exceed all applicable quality standards throughout the Group.

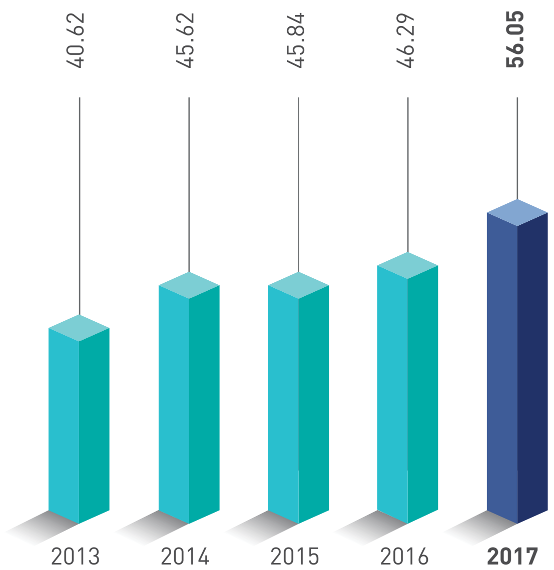
The quest to improve Quality even further from already high levels is a never-ending journey. Integrity is an inescapable part of our business and runs through our value chain from research and development, manufacturing, warehousing, sales and marketing till final delivery. We value honesty in our dealings and there is no compromise.

FIVE-YEAR FINANCIAL HIGHLIGHTS

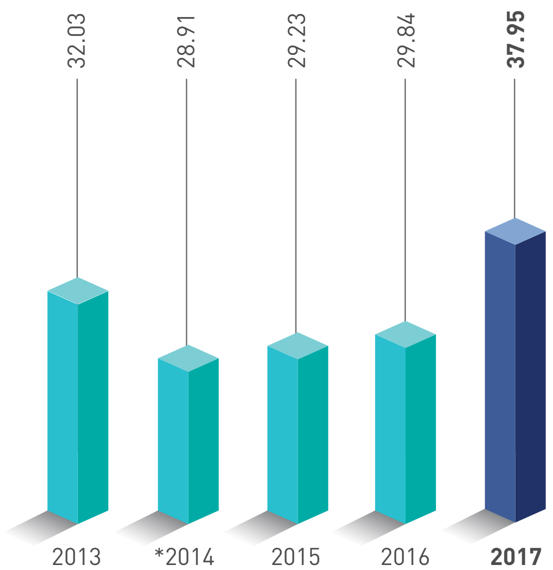
Revenue
(RM Million)



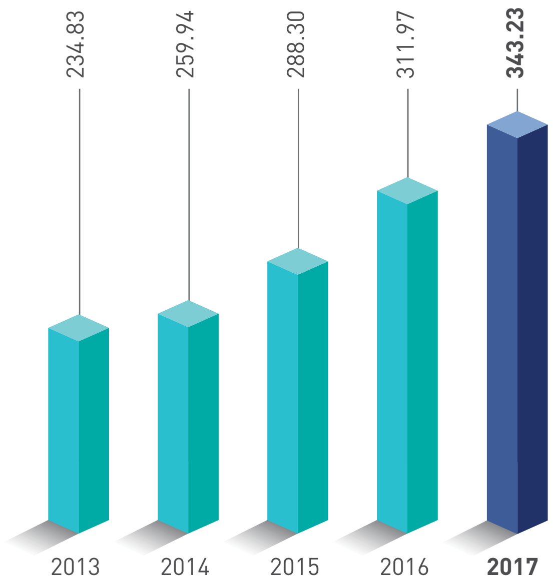
Profit Before Tax
(RM Million)



Earnings Per Share
(Sen)



Shareholders' Funds
(RM Million)



* Bonus issue of 1 new ordinary share for every 4 existing shares in year 2014.

PROFILE OF DIRECTORS

DR KEE KIRK CHIN
Chairman and CEO

Dr Kee Kirk Chin, 56, male, a Singaporean, was appointed to the Board on 15th February 2000, as the Managing Director of the Company on 3rd March 2000 and became Chairman and Chief Executive Officer on 19th May 2010. He obtained a Bachelor in Arts with Honours in 1985, a Bachelor of Medicine & Bachelor of Surgery in 1987 and 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 was appointed to the Board of Singapore Corporation of Rehabilitative Enterprises on 4th April 2010 and is the Chairman of its Audit and Risk Management Committee. He was awarded the Bintang Bakti Masyarakat (Public Service Star) (BBM) by the President of the Republic of Singapore in 2015.

He is the brother of Kee Kirk Chuen. He is deemed to be a major shareholder of the Company through his deemed interest in Apex Pharmacy Holdings Sdn Bhd, a major shareholder which holds 40.6% equity in the Company. Save as disclosed, 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 2017 and has had no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

ROBERT DOBSON MILLNER
Non-Independent Non-Executive Director

Robert Dobson Millner, 67, male, an Australian, was appointed as a Non-Independent Non-Executive Director of the Company on 23rd February 2000. He is currently a member of the Nomination Committee. He was re-designated as a member of the Remuneration Committee on 19th August 2015. 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, manufacturing, wholesaling and retailing of pharmaceutical products, and telecommunication. He was appointed Deputy Chairman of WHSP in 1997, becoming its Chairman in 1998. He is also the Chairman of Brickworks Limited, Milton Corporation Limited, New Hope Corporation Limited, and Director on the Boards of Australian Pharmaceutical Industries Limited and TPG Telecom, 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 2017 and has had no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

LEONG KHAI CHEONG
Senior Independent Non-Executive Director

Leong Khai Cheong, 66, male, 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 was appointed as Chairman of the Nomination Committee and re-designated as a member of the Audit Committee on 19th August 2015. He has relinquished his position as member of the Remuneration Committee with effect from 19th August 2015. 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 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 2017. He has had no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

HENG SU-LING MAE

Independent Non-Executive Director

Heng Su-Ling Mae, 47, female, a Singaporean, was appointed as an Independent Non-Executive Director of the Company on 20th November 2008 and is a member of the Remuneration Committee. She was appointed as Chairman of the Audit Committee and ceased from office as Chairman of the Nomination Committee on 19th August 2015. She graduated with a Bachelor of Accountancy from Nanyang Technological University, Singapore in 1992 and is a Chartered Accountant with the Institute of Singapore Chartered Accountants (ISCA). She has over 16 years of experience in an audit, corporate finance and business advisory environment with Ernst and Young, Singapore. In senior management positions, her audit portfolio included several Singapore publicly listed companies, multinational companies and private companies of various sizes and industries operating globally. She is an Independent Director and Audit Committee Chairperson of Singapore-listed HRNetGroup Limited and Pacific Star Development Limited. She is also an Independent Director of Singapore listed Ossia International Limited and Chuan Hup Holdings Limited.

She 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. She attended all of the four Board Meetings held in the financial year ended 31st December 2017 and has had no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

JACKSON CHEVALIER YAP-KIT-SIONG

Independent Non-Executive Director

Jackson Chevalier Yap-Kit-Siong, 66, male, a Singaporean, was appointed as a Non-Independent Non-Executive Director of the Company on 15th February 2000. He was re-designated as an Independent Non-Executive Director on 25th February 2015. He was appointed as Chairman of the Remuneration Committee on 19th August 2015. 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 and later, Group Managing Director and Director 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 retired in January 2014 as CEO and from the UEL Board in April 2014. On 29th January 2015, he was appointed as an Independent Director of Singapore listed UE E&C Ltd.

He was a Director of Apex Pharmacy Holdings Sdn Bhd, which was holding 40.5% equity in the Company until 18th March 2014. 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 all of the four Board Meetings held in the financial year ended 31st December 2017 and has had no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

DATUK NOHARUDDIN BIN NORDIN @ HARUN

Independent Non-Executive Director

Datuk Noharuddin Bin Nordin @ Harun, 62, male, a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 20th May 2015. He was appointed as a member of the Audit Committee on 19th August 2015. He graduated with a Master of Business Administration from the University of Birmingham, UK in 1992. He has vast working experience with the Ministry of International Trade and Industry ("MITI"), Malaysia

External Trade Development Corporation ("MATRADE") and Malaysian Investment Development Authority ("MIDA"). He was the Assistant Director of MITI from 1986 to 1993. He joined MATRADE in 2000 and he was the Chief Executive Officer of MATRADE from 2006 to 2011. He was the Chief Executive Officer of MIDA from 2011 until his retirement in February 2014. He is currently a Director, and Chairman of Strategy and Business Development Committee of Kulim Technology Park Corporation Sdn Bhd. He is an Independent Director, Chairman of the Board and member of the Audit Committee of Malaysia Venture Capital Management Berhad and an Independent Director of Hong Leong Industries Berhad.

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 2017 and has had no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

TONG YEW SUM
Independent Non-Executive Director

Tong Yew Sum, 75, male, a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 21st May 2014. He was appointed as a member of the Nomination Committee and has relinquished his position as member of the Audit Committee with effect from 19th August 2015. He graduated with a Bachelor of Pharmacy from the University of Singapore in 1964, joining the Apex Pharmacy Group in 1965 as a pharmacist. He held various senior positions in the Group, involving primarily in retail, marketing and distribution activities, and retiring in 2005. He was the Executive Director of Malaysian Organisation of Pharmaceutical Industries from 2007 to 2014 and also its past President. He was formerly an adjunct lecturer at the Pharmacy Faculty of the University of Malaya, council member of the Malaysian Pharmaceutical Society and a current member of the Pharmacy Board of Malaysia.

He did 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 2017 and had no convictions for any offences within the past 5 years, other than traffic offences, if any and had not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

Tong Yew Sum passed away on 27th March 2018.

KEE KIRK CHUEN
Non-Independent Non-Executive Director

Kee Kirk Chuen, 52, male, a Singaporean, was appointed as a Non-Independent Non-Executive Director of the Company on 18th May 2016. He obtained a Bachelor of Science (Electrical Engineering) in 1986, a Master of Engineering (M. Eng) in 1989 and a Master of Business Administration (MBA) in 1996 from Cornell University, USA. He was the Executive Director of Apex Pharmacy International Pte Ltd from 1989 to 2004. From 2005 to 2007, he was a Deputy Director at the National Council of Social Service, Singapore and a Director of Apex Holdings Pte Ltd since 2007. In 2010, he was appointed Deputy General Manager and in 2016, the Deputy Chief Executive of Temasek Foundation Cares CLG Limited, a Singapore non-profit philanthropic organisation established to improve the lives of underprivileged individuals, families and communities in Singapore.

He is the brother of Dr Kee Kirk Chin. He is deemed to be a major shareholder of the Company through his deemed interest in Apex Pharmacy Holdings Sdn Bhd, a major shareholder which holds 40.6% equity in the Company. Save as disclosed, 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 2017 since his date of appointment and has had no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

TAN HING TAI
Chief Operating Officer

Tan Hing Tai, 57, male, a Malaysian, was appointed as Chief Operating Officer of the Company on 1st January 2015 where he oversees all sales and marketing operations of the Apex Healthcare Berhad Group. He is also a Director on the Board of Group subsidiary companies, Apex Phama Marketing Pte Ltd and Xepa-Soul Pattinson (M) Sdn Bhd.

He graduated with a Bachelor of Pharmacy from University Science Malaysia in 1985. He joined the Apex Pharmacy Group as a pharmacist and was subsequently promoted as General Manager of Apex Pharmacy Marketing Sdn Bhd in 1988. He was appointed the Executive Director of Apex Pharmacy Marketing Sdn Bhd on 1st September 2003. He is registered with the Pharmacy Board of Malaysia and is also a member of Malaysian Pharmaceutical Society. In 2002, he obtained his Master of Business Administration (MBA) in 2002 from University of Technology, Malaysia.

He does not hold any directorship in public companies and listed issuers; and does not have any family relationship with any director and/or major shareholder of the Group. He does not have any conflict of interests with the Group and has had no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

CH'NG KIEN PENG
Senior Vice President

Ch'ng Kien Peng, 52, male, a Malaysian, was appointed as Senior Vice President of the Company on 1st January 2015. He was also appointed as the Executive Director of Xepa-Soul Pattinson (Malaysia) Sdn Bhd ("Xepa"), a wholly owned subsidiary of the Company on the same date.

He graduated with a Bachelor of Pharmacy (Honours) from University Science Malaysia in 1990 and obtained his Master of Business Administration (MBA) from Heriot-Watt University, Edinburgh in 2004. In 2005, he joined Xepa as the General Manager of Manufacturing and was promoted as the Chief Operating Officer of Xepa in 2012. He has been an Executive Council Member of the Malaysian Organisation of Pharmaceutical Industries (MOPI) since 2012. He is registered with the Pharmacy Board of Malaysia and is also a member of Malaysian Pharmaceutical Society.

He does not hold any directorship in public companies and listed issuers; and does not have any family relationship with any director and/or major shareholder of the Group. He does not have any conflict of interests with the Group and has had no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

CHIEW WOON WUI
Financial Controller

Chiew Woon Wui, 44, female, a Malaysian, was appointed as Financial Controller of the Company on 1st July 2014. She is one of two Joint Company Secretaries of the Company. She is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. She graduated from the University of Malaya with a Bachelor of Accounting (Hons) and began her career at KPMG, Kuala Lumpur. She joined Apex Healthcare Berhad in 2002 and was holding the position of Senior Group Finance Manager prior to her appointment as Financial Controller.

She does not hold any directorship in public companies and listed issuers; and does not have any family relationship with any director and/or major shareholder of the Group. She does not have any conflict of interests with the Group and has had no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Apex Healthcare Berhad ("AHB" or "the Company") is pleased to present the Corporate Governance Overview Statement ("CG Overview Statement") which has been prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad premised upon the corporate governance Principles as set out in the Malaysian Code on Corporate Governance ("MCCG") issued by the Securities Commission in April 2017. The CG Overview Statement is to be read together with the Corporate Governance Report ("CG Report"). The CG Report which provides the details on how the Company has applied the Practices as set out in the MCCG during the financial year 2017 can be downloaded at the Company's website at **www.apexhealthcare.com.my.**

Introduction

The Company subscribes to the ideals of good Corporate Governance and fair dealing in all its activities with a view to increasing shareholders' value. It recognises that a strong governance framework is necessary for the continuous strengthening of self-discipline and the development of a good corporate governance culture. Since the introduction of the first Malaysian Code on Corporate Governance in 2000, and its subsequent revisions in 2007 and 2012, the Company has taken conscious steps and made efforts to review, adopt and embrace the three key Principles, intended outcomes and practices in its operations.

At the start of financial year 2017, AHB is not a Large Company as defined in the MCCG and hence the Practices set out in the MCCG which are applicable to Large Companies have not been adopted by the Company. The Board of Directors ("the Board") has taken cognisance of Step Up Practices as prescribed in the MCCG in its endeavour to attain higher standards of corporate governance. With regards to Practices that are applicable to AHB, explanations on how the Company has applied the Practices are disclosed in the CG Report. If there is departure from a Practice, explanations for the departure are also provided with disclosure of the alternative practice which AHB has adopted to achieve the Intended Outcome as set out in the MCCG.

This CG Overview Statement provides a summary of the corporate governance practices implemented by AHB during financial year 2017 with reference to the 3 Principles:

Principle A: Board leadership and effectiveness

Save for Practice 1.3 and Practice 7.2, the Company has complied with all the Practices under the Principle of board leadership and effectiveness. In variance from Practice 1.3, the functions of the Chairman and CEO are combined befitting the circumstances of AHB and the explanations for the alternative practice are disclosed in the CG Report. The alternative practice of disclosure of Senior Management's remuneration in relation to Practice 7.2 and the explanation for the departure are also provided. The Board is satisfied that the alternative practices of Practice 1.3 and Practice 7.2 achieve the Intended Outcome as set out in the MCCG. Overall, the Board is satisfied that the Company has put in place its corporate governance practices that are effectively led and driven by the Board with support from the management.

Principle B: Effective audit and risk management

All the prescribed Practices under this Principle are complied with by the Company, and in this regard, the Board is satisfied that an objective and effective audit function, risk management and internal controls are in place in line with the demands of a good and robust corporate governance practices.

Principle C: Integrity in corporate reporting and meaningful relationship with stakeholders

While all the prescribed Practices under this Principle are adopted by the Company, the Company will consider the implementation of electronic voting as prescribed under Practice 12.3 when the shareholder base of the Company has grown to a substantial size to warrant adoption of electronic voting in due course. The Board is satisfied that communication by the Company with shareholders and other stakeholders through transparent and timely communication is in place.

Looking Ahead

The Board is mindful of the pertinence of continually strengthening its governance practices and processes with consideration of key focus areas and future priorities as part of its forward-looking strategies, and moving forward, these Practices will be constantly reviewed and strengthened where needed. Two key areas that the Board may consider are the tenure of Independent Directors and a reorganisation of Board Committees in order to sustain Board effectiveness.

Conclusion

The Board is cognisant of the importance of the various dimensions of good corporate governance culture and in this regard, strives to ensure equal attention is paid to all Practices of MCCG such that the Intended Outcomes are achieved, taking into account the business environment, culture and needs of AHB. While there is departure of certain Practices of the Company from MCCG, the Board is satisfied that the corporate governance infrastructure of the Company is in line with the Intended Outcome of MCCG. The Board is of the view that the Company has in all material aspects satisfactorily complied with the Principles set out in MCCG and has approved this CG Overview Statement on 22nd February 2018.

ADDITIONAL INFORMATION

1. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid and payable to the External Auditors, Ernst & Young, and its affiliated firms by the Company and the Group for the financial year ended 31st December 2017 are as stated in the table below:

Nature of services	Company (RM)	Group (RM)
Audit	45,000	261,400
Non-audit:		
Tax filing	-	67,000
Review of the Statement on Risk Management and Internal Control	7,000	7,000
Overview of audit of associated company	10,000	10,000
Fair value valuation of Executive Share Option Scheme	10,000	10,000
Total non-audit fees	27,000	94,000

2. Material Contracts

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

3. Recurrent Related Party Transactions

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

4. Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act 2016 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 financial reporting 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 2016. 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.

5. Contracts Relating to Loans

There were no contracts relating to loans by the Company which involved Directors' and Major Shareholders' interests.

6. Utilisation of Proceeds

The Company did not implement any fund raising exercise during the financial year.

7. Executive Share Option Scheme

The Executive Share Option Scheme ("ESOS") approved at the Extraordinary General Meeting held on 18th May 2016 is the only share scheme of the Company in existence as at the financial year ended 31st December 2017.

The details of the ESOS are as follows. Further information on the ESOS is available in the Directors' Report and Notes to the Financial Statements.

	During the financial year ended 31st December 2017	Since the commencement of the ESOS on 1st July 2016
Total number of options or shares granted	775,000	1,505,000
Total number of options or shares lapsed	35,000	35,000
Total number of options exercised or shares vested	Nil	Nil
Total options or shares outstanding	740,000	1,470,000

In regard to options or shares granted to a Director and Chief Executive Officer:

	During the financial year ended 31st December 2017	Since the commencement of the ESOS on 1st July 2016
Aggregate options or shares granted	70,000	140,000
Aggregate options exercised or shares vested	Nil	Nil
Aggregate options or shares outstanding	70,000	140,000

In regard to options or shares granted to a Director and Senior Management:

	During the financial year ended 31st December 2017	Since the commencement of the ESOS on 1st July 2016
Aggregate maximum allocation in percentage	60.0%	60.0%
Actual percentage granted	41.9%	44.2%

No options were offered to and exercised by, or shares granted to and vested in Non-Executive Directors pursuant to the ESOS during the financial year ended 31st December 2017 and since the commencement of the ESOS on 1st July 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Apex Healthcare Berhad ("AHB" or "the Group") is pleased to present its Statement on Risk Management and Internal Control, which has been prepared pursuant to paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), in this annual report. This statement outlines the nature and state of the risk management and internal controls of the Group during the financial year under review and up to the date of approval of this statement by the Board.

BOARD RESPONSIBILITY

The Board has established an ongoing process for identifying, evaluating and management of significant risk faced by the Group and this is embedded in the Group's risk management and internal control system. The responsibility for reviewing the adequacy and effectiveness of the risk management and internal control system has been delegated by the Board to the Audit Committee. The Risk Management Committee of AHB, the functions of which are assumed by the Audit Committee, provides oversight on risk management matters to ensure prudent risk management over the Group's business and operations. The Audit Committee provides guidance to the Management pertaining to the Company's risk management and related policies and framework.

However, as there are inherent limitations in any risk management and internal controls systems, such systems put into effect by Management can only reduce but cannot eliminate all risks that may impede the achievement of the Group's business objectives. Therefore, such systems can only provide reasonable and not absolute assurance against any material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board acknowledges that the Group's business activities involve some degree of risk that may affect the achievement of its business objectives and an effective risk management framework is an integral part of the Group's daily operations. Key Management staff and Head of Departments are delegated with the responsibility to manage identified risks within defined parameters and standards. In addition, key risk profiles have been put in place in order to identify, evaluate and manage key risks faced by the Group.

During the financial year under review, Management with the assistance of the external consultants has performed a risk management exercise which include the following:-

- Defining a yearly understanding of risk classification tolerance
- Identifying key risk affecting business objectives and strategic plans
- Identifying changes to risks or emerging risks and promptly bringing these to the attention of the Board where appropriate
- Identifying and evaluating existing controls
- Updating the Group Key Risk Profile
- Risk awareness workshop

Risk are managed in accordance with Apex's Risk Management Framework, modelled largely on ISO 31000:2009 Risk Management – Principles and Guidelines, which is implemented across the entire Group.

The results of the above risk management exercise were presented to the Audit Committee on 16th May 2017. Thereafter, the results were presented to the Board. Risks identified were prioritised in terms of the possibility of their occurrence and their impact on the Group's business objectives and goals. This allows Management to allocate appropriate resources in the mitigation of such risks identified.

The key aspects of the risk management process is shown in the diagram below:-

The abovementioned practices and initiatives by Management serve as an on-going process to identify, evaluate and manage significant risks from the Group Key Risk Profile during the period under review and up to the date of approval of this statement.

Apex's risk management philosophy is built on a culture where risk exposures are mitigated to acceptable levels by a continuous and iterative process among Management. Risk awareness is enhanced through communication and workshops.

Internal controls and risk-related matters which warrant the attention of the Board are recommended by the Audit Committee to the Board for its review and approval, and decisions made by the Audit Committee are escalated to the Board for its notation.

The key anticipated and known risks that the Group are exposed to which may have a material effect on the Group's operations, performance, financial condition and liquidity are foreign currency risks, regulatory compliance risks, data and Enterprise Resource Planning ("ERP") integrity risks and loss of key principals risks.

Foreign Currency Risks

The volatility and strength of the Ringgit, susceptible to uncertainties in the global economic environment, is an identified risk to the Group. A weakened Ringgit leads to higher cost of raw materials and imported finished goods, resulting in profit margin compression. Effort is continually directed at securing more competitive pricing from alternate sources, reducing wastage and eliminating inefficiencies in operations in order to preserve profit margins.

Regulatory Compliance Risks

The development, manufacturing and distribution of pharmaceuticals are closely regulated in all the markets the Group operates. Regulatory compliance is critical in ensuring uninterrupted manufacturing and distribution operations. Compliance is not restricted to current standards, but also ensuring the Group's manufacturing and distribution infrastructure is prepared for anticipated future standards when implemented. To manage regulatory compliance risks, the Group has established procedures and mechanisms to ensure full compliance and periodically invests in major infrastructure upgrades in anticipation of future regulatory demands. The attainment of the EU GMP Certificate and the construction of a new Oral Solid Dosage manufacturing plant, SPP NOVO, by XEPA are initiatives taken to mitigate regulatory compliance risks.

Data and ERP Integrity Risks

The strict management of proprietary, personal and confidential data and the stable operations of the Group's ERP systems is another key concern and risk, as the loss or corruption of such data and prolonged systems failures can result in loss of competitiveness and business opportunities. Stringent controls are in place for the management of data. ERP systems are rigorously maintained, tested and upgraded periodically to ensure operational reliability and stability. The Group's Information Technology department ensures all staff are well trained on adherence to strict protocols in the management of proprietary, confidential and personal data. Data and ERP Systems integrity is subject to periodic internal audits.

Loss of Key Principals Risks

The Group is mindful of the risks associated with high dependency on revenue contributions from key external principals. Competition is strong in the pharmaceutical distribution sector with aggressive margin pressure from competitors. The probability of internal reorganisation or business restructuring within key external principals exists, and turnover of key contact persons may impact business relationships built over time. To ensure retention of key external principals, the Group engages key external principals closely and ensures all deliverables and performance indicators are always met or exceeded.

INTERNAL AUDIT FUNCTION

The Group's independent internal audit function is outsourced to a professional service firm to assist the Board and the Audit Committee in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's system of internal control.

The internal audit plan entails the audit scope, coverage and frequency based on a risk-based approach and is approved by the Audit Committee.

For the financial year, the outsourced internal audit function has carried out the following audits based on the internal audit plan approved by the Audit Committee:-

- Manufacturing unit: Inventory Control and Production Operational Control

- Distribution and warehousing in Malaysia and Singapore business units: Procurement and Inventory Control

The result of their reviews is reported directly to the Audit Committee which includes significant internal audit findings, recommendations for improvements, Management's response and proposed action plans. Follow-up reviews of the implementation of action plans are carried out to ensure that the matters highlighted in the internal audit reports have been adequately addressed.

Based on the internal audit reviews conducted, none of the weaknesses noted has resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

The costs incurred in maintaining the outsourced internal audit function for the financial year ended 31st December 2017 amounted to RM72,000.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's system of internal control are:

1. Control Environment

- **Policies and Procedures**
  Clearly defined policies and procedures are in place and are undergoing constant improvements to ensure that they continue to support the Group's business activities as the Group continues to grow.

- **Organisation Structure and Authorisation Procedures**
  The Group maintains a formal organisation structure with clear lines of reporting to Board Committees and Senior Management including defined lines of accountability within which senior management operates, such as roles and responsibilities, authority limits, review and approval procedures, etc.

- **Whistleblowing Policy & Procedure**
  The Group has a Whistleblowing Policy and Procedure to provide an avenue for staff or any external party to report any breach or suspected breach of any laws or regulations and the Groups' policies and procedures, in a safe and confidential manner.

- **Annual Budget**
  The Group has a comprehensive budgeting system. The annual business plan and budget are approved by the Board. Budgetary control is in place for every operation of the Group, where actual performance is monitored against budgets on a quarterly basis to identify and to address significant variances.

- **Human Resource Policy**
  Comprehensive and rigorous guidelines on the employment, performance appraisal and training program and retention of employees are in place, to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively.

- **Management Styles**
  The Board relies on the experience of the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), Senior Vice President ("SVP") and Financial Controller ("FC") and the respective business units' management teams to run and manage the operations and businesses of the Group in an effective and efficient manner.

  The CEO, COO, SVP, FC and management adopt a "hands on" approach in managing the businesses of the Group. This enables the timely identification and resolution of any significant issues arising.

- **Quality Control**
  Strong emphasis is placed on ensuring the manufacturing process of its pharmaceutical plant adheres strictly to health, safety and environmental regulations as required by the various authorities. The Board has ensured that safety and health regulations, environmental controls and all other legislations in connection with the industry the Group operates in have been complied with during the financial year under review.

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

2. **Information and Communication**

   Pertinent information to meet the Group's business objectives is communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and resolution on a timely basis.

3. **Review and Monitoring Process**

   The Group's Management teams carry out monthly monitoring and review of the Group's operations and performance, including financial results and forecasts for all business operations within the Group. In addition to the above, scheduled and ad-hoc meetings are held at operational and management levels to identify, discuss and resolve business and operational issues, as and when necessary.

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

ASSURANCE PROVIDED BY THE GROUP CEO, COO, SVP AND FC

In line with the Guidelines, the Group CEO, COO, SVP and FC have provided assurance to the Board that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control ("the Statement") in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31st December 2017, and reported to the Board that nothing has come to their attention that causes them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The report from the External Auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Securities and for no other purposes or parties. The External Auditors do not assume responsibility to any other person in respect of any aspect of this report.

CONCLUSION

The Board is of the view that the risks faced by the Group are within tolerable levels in the context of the business environment the Group operates in and the system of risk management and internal control that existed throughout the year is sound and adequate to safeguard the interest of the Group and to facilitate the evolution of its businesses.

During the year under review, nothing has come to the attention of the Board which would result in any material losses, contingencies or uncertainties that would require a separate disclosure in this Annual Report. Notwithstanding this, the Board will continue to ensure that the Group's system of risk management and internal control continuously evolve to keep up with its dynamic business environment.

The Group's system of risk management and internal control applies principally to the Group and its subsidiaries but do not apply to associated company where the Group does not have full management control nor majority Board representation. Nonetheless, the Group's interests are served through representation on the Board of Directors of the associated company as well as through the review of management accounts received.

The Board has granted its approval on 22nd February 2018 that this Statement on Risk Management and Internal Control be included in the Company's Annual Report 2017.

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 2017.

COMPOSITION OF AUDIT COMMITTEE AND ATTENDANCE RECORD

The Audit Committee currently consists of three members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is a Chartered Accountant and one of the members of the Audit Committee is a member of the Malaysian Institute of Accountants.

The Committee met five times during the financial year ended 31st December 2017 and the attendance record is tabulated as follows:

Director	Position	Attendance					Total
		22nd Feb	15th Mar	16th May	15th Aug	14th Nov	
Heng Su-Ling Mae (Chairman of Audit Committee)	Independent Non-Executive Director	√	√	√	√	√	5/5
Leong Khai Cheong	Senior Independent Non-Executive Director	√	√	√	√	√	5/5
Datuk Noharuddin Bin Nordin @ Harun	Independent Non-Executive Director	√	√	√	√	√	5/5
Total Attendance		3/3	3/3	3/3	3/3	3/3	

The Terms of Reference of the Audit Committee is available at the Company's website: **www.apexhealthcare.com.my** pursuant to Paragraph 15.11 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31st December 2017, the Audit Committee (hereinafter referred to as the "AC") in the discharge of its duties and functions carried out the following activities:

- Evaluated the Audit Plan presented by the External Auditors, Ernst & Young ("EY") including but not limited to the audit analytics used, the assessment of professional independence, the manpower of the audit engagement team, the concept of materiality, the potential areas of audit emphasis, the coordination with the auditors of the Group Associate, the audit reliance placed with the internal auditors and the audit timeline for the full audit engagement. Included in this Audit Plan is an annual statement from EY that the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants are complied with;
- Reviewed the Audit Results of the External Auditors, EY which include the audit scope changes, the significant accounting and auditing issues, the qualitative aspect of accounting policies and the summary of audit difference, if any;
- Reviewed the assistance provided by Management to the External Auditors and Internal Auditors;
- Reviewed the reports of the Internal Auditors on Principal Risks Assessment conducted with Key Management for the Company and Group;
- Reviewed the Internal Audit report on Inventory Control and Production Planning and Control of ABio Orthopaedics Sdn Bhd ("AO") and Straits Orthopaedics (Mfg) Sdn Bhd ("SA");
- Reviewed the Internal Audit report on Procurement and Inventory Control of Apex Pharmacy Marketing Sdn Bhd ("APM");
- Reviewed the Internal Audit report on Procurement and Inventory Control of Apex Pharmacy Marketing Pte Ltd ("APS");

- Reviewed the performance of External Auditors and recommended to the Board for re-appointment;
- Reviewed the one year Internal Audit Plan submitted by the Internal Auditors;
- Conducted private sessions with the External and Internal Auditors in the absence of the Management in conjunction with AC Meetings;
- Reviewed the draft Statement on Risk Management and Internal Control for inclusion in the Annual Report 2016;
- Verified the allocation of options persuant to the Group's Executive Share Option Scheme ("ESOS") at the end of each financial year;
- Reviewed the draft announcement at the end of each quarter prior to approval for release to Bursa Malaysia Securities Berhad by the Board of Directors;
- Reviewed the draft financial statements at the end of financial year; and
- Reviewed and recommended the draft AC Report to the Board for approval and inclusion in the Company's Annual Report 2016.

INTERNAL AUDIT FUNCTION

Kloo Point Risk Management Services Sdn Bhd has been appointed as the new outsourced Internal Auditors of the Group effective from January 2017. The cost incurred for Internal Audit Services in respect of financial year 2017 was RM 72,000.

In accordance with the Terms of Reference of the AC, the Internal Auditors report functionally to the Chairman of the AC and administratively to the Chief Executive Officer / Financial Controller.

During the financial year ended 31st December 2017, the Internal Auditors undertook the following activities:

- Attended and reported to the AC at four of five AC meetings held during the year 2017;
- Conducted a Principal Risks Assessment with key Management of the Company and Group and reported the findings to the AC;
- Reviewed and reported on Inventory Control and Production Planning and Control of AO and SA;
- Reviewed and reported on Procurement and Inventory Control of APM;
- Reviewed and reported on Procurement and Inventory Control of APS; and
- Followed up on previous auditable activities of AO, SA, APM and APS to ensure compliance of recommendations of Internal Auditors by Management.

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 2017.

COMPOSITION OF REMUNERATION COMMITTEE AND ATTENDANCE RECORD

The Remuneration Committee consists of three members, the majority of whom are Independent Non-Executive Directors. The committee was established on 23rd May 2001. During the year under review, the committee met once and the attendance record is tabulated as follows:

Director	Position	Attendance 23rd Feb	Total
Jackson Chevalier Yap-Kit-Siong (Chairman of Remuneration Committee)	Independent Non-Executive Director	√	1/1
Robert Dobson Millner	Non-Independent Non-Executive Director	√	1/1
Heng Su-Ling Mae	Independent Non-Executive Director	√	1/1
Total Attendance		3/3	

The Terms of Reference of the Remuneration Committee is available at the Company's website: **www.apexhealthcare.com.my** pursuant to Practice 6.2 of the Malaysian Code on Corporate Governance issued by the Securities Commission in April 2017.

ACTIVITIES OF THE REMUNERATION COMMITTEE

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

- Assessed the performance of the Chief Executive Officer ("CEO") and determined his performance bonus for financial year 2016 and adjustments to salary for financial year 2017;
- Reviewed and approved the recommendations of the CEO in respect of performance bonuses for financial year 2016 and salary adjustments and promotions for Senior Management of Apex Healthcare Berhad Group for financial year 2017;
- Reviewed and approved Key Performance Indicators for financial year 2017 for the CEO and Group's Senior Management;
- Reviewed and recommended the Directors' Fees and any benefits payable to Directors for financial year 2016 to be tabled for shareholders' approval at the Annual General Meeting in May 2017;
- Recommended the provision of Directors' Fee and any benefits payable to Directors for financial year 2017;
- Reviewed a market survey on the remuneration of Senior Management Remuneration; and
- Reviewed and recommended the draft Annual Remuneration Committee Report to the Board for approval and inclusion in the Company's Annual Report 2016.

DIRECTORS' REMUNERATION

The detailed disclosure on named basis for the remuneration of individual Directors with remuneration breakdown including fee, salary, bonus, benefits-in-kind and other emoluments for the financial year 2017 is as follows:

Company

Director	Remuneration						
	Fees	Salary	Bonus	Pension Costs	Benefits-in-kind	Emoluments	Total
Executive Director							
Dr Kee Kirk Chin	63,000	105,480	58,268	23,741	115,579	-	366,068
Non-Executive Directors							
Robert Dobson Millner	-	-	-	-	-	58,687	58,687
Leong Khai Cheong	105,000	-	-	-	-	-	105,000
Heng Su-Ling Mae	116,000	-	-	-	-	-	116,000
Jackson Chevalier Yap-Kit-Siong	90,000	-	-	-	-	-	90,000
Datuk Noharuddin Bin Nordin @ Harun	88,500	-	-	-	-	-	88,500
Tong Yew Sum*	76,250	-	-	-	-	-	76,250
Kee Kirk Chuen	56,500	-	-	-	-	-	56,500
Total	**595,250**	**105,480**	**58,268**	**23,741**	**115,579**	**58,687**	**957,005**

* *Mr Tong Yew Sum passed away on 27th March 2018.*

Group

Director	Remuneration						
	Fees	Salary	Bonus	Pension Costs	Benefits-in-kind	Emoluments	Total
Executive Director							
Dr Kee Kirk Chin	63,000	838,692	1,877,937	99,446	115,579	-	2,994,654
Non-Executive Directors							
Robert Dobson Millner	-	-	-	-	-	58,687	58,687
Leong Khai Cheong	105,000	-	-	-	-	-	105,000
Heng Su-Ling Mae	116,000	-	-	-	-	-	116,000
Jackson Chevalier Yap-Kit-Siong	90,000	-	-	-	-	-	90,000
Datuk Noharuddin Bin Nordin @ Harun	88,500	-	-	-	-	-	88,500
Tong Yew Sum*	76,250	-	-	-	-	-	76,250
Kee Kirk Chuen	56,500	-	-	-	-	-	56,500
Total	**595,250**	**838,692**	**1,877,937**	**99,446**	**115,579**	**58,687**	**3,585,591**

* *Mr Tong Yew Sum passed away on 27th March 2018.*

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 2017.

COMPOSITION OF NOMINATION COMMITTEE AND ATTENDANCE RECORD

The Nomination Committee consists of three members, the majority of whom are Independent Non-Executive Directors. The committee was established on 23rd May 2001. During the year under review, the committee met once and the attendance record is tabulated as follows:

Director	Position	Attendance 23rd Feb	Total
Leong Khai Cheong (Chairman of Nomination Committee)	Senior Independent Non-Executive Director	√	1/1
Robert Dobson Millner	Non-Independent Non-Executive Director	√	1/1
Tong Yew Sum*	Independent Non-Executive Director	√	1/1
Total Attendance		3/3	

* *Mr Tong Yew Sum passed away on 27th March 2018.*

The Terms of Reference of the Nomination Committee is available at the Company's website: **www.apexhealthcare.com.my** pursuant to Paragraph 15.08A(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

ACTIVITIES OF THE NOMINATION COMMITTEE

The activities of the Nomination Committee during the financial year 2017 include:

- Reviewed the composition of the Board and Board Committees with regards to the mix of skills, independence and diversity in accordance with its policy as stated in the Group's Corporate Governance Statement to ensure compliance.

- Assessed and reviewed the independence and continuing independence of the Independent Directors.

- Assessed the effectiveness and performance of the Board, Directors and Board Committees for the financial year 2016. This is carried out through a self-assessment document that is completed by each Director and reviewed by the Nomination Committee. Assessment criteria include the following:

    - Board composition
    - Board process
    - Performance of Board Committees
    - Information provided to the Board
    - Role of the Board in strategy and planning
    - Risk management framework
    - Accountability and standard of conduct of Directors

- Reviewed and assessed on behalf of the Board the training record and needs of each Director, and proposed training courses to meet any shortfall or gaps in knowledge.

- Determined the Directors to stand for re-election and re-appointment at the 2017 Annual General Meeting on 17th May 2017.

- Reviewed the character, experience, integrity and competence of all the Directors, the Chief Executive Officer and Chief Financial Officer / Financial Controller and assessed their performance in 2016, paying attention to whether each of the Non-Executive Directors have made available sufficient time to discharge their responsibilities and duties.

- Reviewed the term of office and performance of the Audit Committee ("AC") and each of its members to ascertain that the AC and its member have carried out their duties in accordance with the AC Terms of Reference.

- Approved a Board Succession Planning Framework which addresses Board size, number of Independent Directors as well as their tenure and terms of appointment, age limit for Directors and a Diversity Policy.

- Reviewed and recommended the draft Nomination Committee Report to the Board for approval and inclusion in the Company's Annual Report 2016.

Attendance Record at Board Meetings in the financial year 2017:-

Director	Position	Attendance 23rd Feb	17th May	16th Aug	14th Nov	Total
Dr Kee Kirk Chin	Chairman & CEO	√	√	√	√	4/4
Robert Dobson Millner	Non-Independent Non-Executive Director	√	√	√	√	4/4
Leong Khai Cheong	Senior Independent Non-Executive Director and Chairman of Nomination Committee	√	√	√	√	4/4
Heng Su-Ling Mae	Independent Non-Executive Director and Chairman of Audit Committee	√	√	√	√	4/4
Jackson Chevalier Yap-Kit-Siong	Independent Non-Executive Director and Chairman of Remuneration Committee	√	√	√	√	4/4
Datuk Noharuddin Bin Nordin @ Harun	Independent Non-Executive Director	√	√	√	√	4/4
Tong Yew Sum*	Independent Non-Executive Director	√	√	√	√	4/4
Kee Kirk Chuen	Non-Independent Non-Executive Director	√	√	√	√	4/4
Total Attendance		8/8	8/8	8/8	8/8	

* *Mr Tong Yew Sum passed away on 27th March 2018.*

The Secretary was present at all Board Meetings held in the financial year 2017.

DIRECTORS' TRAINING

The Directors of the Company had attended the following training programmes/seminars during the financial year ended 31st December 2017:-

Name	Date	Subject
Dr Kee Kirk Chin	21st February 2017	New Marketing in the Customer Age
	16th August 2017	The Flexi Leader
Robert Dobson Millner	16th August 2017	The Flexi Leader
Leong Khai Cheong	16th August 2017	The Flexi Leader
Heng Su-Ling Mae	16th August 2017	The Flexi Leader
Jackson Chevalier Yap-Kit-Siong	16th August 2017	The Flexi Leader
Datuk Noharuddin Bin Nordin @ Harun	23rd May 2017	Global Business Insight Series – Innovation in the Financial Sector: Where the world will be, How to Get There
	16th August 2017	The Flexi Leader
	16th October 2017	Case Study Workshop for Independent Directors "Rethinking – Independent Directors: A New Frontier"
Tong Yew Sum*	16th August 2017	The Flexi Leader
Kee Kirk Chuen	16th August 2017	The Flexi Leader

* *Mr Tong Yew Sum passed away on 27th March 2018.*

SUSTAINABILITY STATEMENT

Apex Healthcare Berhad ("AHB" or "the Group"), with its mission of "Restoring Health, Enhancing Life" upholds sustainability in all aspects of its business operations and in a way which brings value to all stakeholders.

The Sustainability Statement of AHB sets out its approach towards sustainable development and management of economic, environmental and social risks and opportunities, based on a foundation of considering the impact of its business endeavours on the economic conditions of its stakeholders ("Economic"), on living and non-living natural systems ("Environmental") and on the social system ("Social").

A. GOVERNANCE STRUCTURE

As there is no "one size fits all" approach, the Board of Directors ("the Board") of AHB adopts a sustainability governance approach that is fit for the Group's purpose considering amongst others, its culture, needs, sustainability-related risks and opportunities and level of maturity of its sustainability thinking and readiness.

The Board is responsible for embedding sustainability into the Group to complement its business strategy. The Board reviews and approves AHB's sustainability strategies and ensures that adequate resources, systems and processes are in place for managing sustainability matters. The Board sets the tone from the top and assumes the highest governance body in setting the Group's purpose, values and strategies which incorporate sustainability considerations. Ultimately, the Board is accountable for managing sustainability matters in AHB.

For the purpose of supporting the Board in implementation of sustainability-related strategies, the Board has established a Sustainability Committee which is responsible for monitoring the implementation of sustainability-related strategies, measures and actions in achieving AHB's sustainability goals as approved by the Board. The Sustainability Committee is responsible for identifying, evaluating, monitoring and managing Economic, Environmental and Social ("EES") risks and opportunities and ensuring all material sustainability matters are being considered and managed by the Apex Healthcare Group through its business operations including stakeholder engagement and materiality assessment.

The preparation of sustainability disclosures for approval by the Board as required by laws and regulations and sustainability reporting also come under the purview of the Sustainability Committee. The Sustainability Committee of AHB is an executive management committee comprising the Chief Executive Officer ("CEO") as Chairman of the Sustainability Committee and members of the Executive Committee, namely the Chief Operating Officer, Senior Vice President and Financial Controller.

For the day-to-day management of sustainability issues and to support the Sustainability Committee in implementing sustainability initiatives as approved by the Board are key personnel from the subsidiaries of the Group who report to the Sustainability Committee. These personnel serve as touchpoints to gather input from the relevant departments or functions, execute sustainability plans as determined by the Sustainability Committee and support the Sustainability Committee in ensuring robust processes are in place.

B. MATERIALITY ASSESSMENT PROCESS

Scope

Xepa-Soul Pattinson (Malaysia) Sdn Bhd ("XEPA") and Apex Pharmacy Marketing Sdn Bhd ("APM") are key subsidiaries of AHB. The Board considers it appropriate in this regard to limit the scope of the materiality assessment and by extension the sustainability disclosure to these two subsidiaries. XEPA and APM operate predominantly in Malaysia and as such the geographical boundary of their materiality assessment is confined within Malaysia. The scope within which materiality applies as far as operations are concerned is limited to manufacturing and distribution which are the core operations of XEPA and APM respectively.

Identification and Categorisation of Material Sustainability Issues

As sustainability is a risk management tool which helps the Group to evaluate its management of business operations, the Sustainability Committee regularly identifies and categorises issues which the Group should take into account and assesses the impact of those issues on the business over the near, medium and long-term.

The initial list of sustainability issues are identified from a combination of internal and external sources. The main internal sources are derived from internal analysis of trends that are relevant to AHB, its business strategies taking into account the Group's short, medium and long-term goals and risk management assessments of the Group. The external sources are obtained from concerns raised by stakeholders during stakeholder engagements including but not limited to Annual General Meeting and sessions with analysts and media, examination of emerging and development of relevant laws and regulations and business environment which impact on sustainability.

Stakeholder Engagement

In the overall objective of identifying and prioritising material sustainability matters, AHB engages with different stakeholder groups as such interactions are crucial to identify, prioritise and address material sustainability matters. Engagements are carried out on a regular basis with various stakeholders as they are integral to the business development and commitment of the Group to sustainability. The website of AHB, Annual Reports, Quarterly Reports and the e-commerce platform of its retail subsidiary and any other announcements which are issued by AHB from time to time are also used as regular channels to provide information to the stakeholders.

The Board is cognisant of the fact that engaging with all issues and concerns expressed by all stakeholder groups are resource-intensive and inefficient. Hence, stakeholder prioritisation is conducted to determine the levels of influence and dependence of a stakeholder group over AHB's relevant sustainability issues. Based on the concerns as well as key discussion points expressed by AHB's stakeholder groups during the engagement sessions, the Group is able to identify and prioritise issues which are most relevant to each of its stakeholder groups. Each stakeholder group is weighted by the Sustainability Committee based on their influence and dependence on AHB:

- Highly influential stakeholder groups are most able to impact AHB's achievement of strategic objectives.
- Highly dependent stakeholder groups are more positively or negatively impacted by AHB's operations.

Through a Stakeholder Prioritisation Matrix, the stakeholder groups are ranked and AHB has identified these key stakeholder groups in terms of priority; namely Employees, Shareholders and Communities.

Prioritisation of Sustainability Matters

The sustainability issues which have been identified and categorised are then prioritised to determine the material sustainability matters, by considering the risks and opportunities associated with these issues. The sustainability issues considered by the Group include training and development of employees, energy conservation, community investment, digitisation and waste management, and are further assessed on materiality of each in the context of the Group.

C. MATERIAL SUSTAINABILITY MATTERS

Sustainability matters are considered material if they reflect AHB's significant EES impacts on the business or substantively influence the assessments and decisions of stakeholders. Taking into consideration that the level of importance of a sustainability matter to the business may be different from that as perceived by its stakeholders, the Sustainability Committee employs a Materiality Matrix as a tool to determine the materiality of each identified sustainability matter. This tool takes into consideration the significance of the Group's EES impacts on the business and the EES influence on stakeholder assessments and decisions.

Significance of AHB's EES impacts on the business is assessed by considering the following criteria which include revenue, cost, media response, strategic and operational risk and business opportunities. Influence on stakeholder assessments and decisions is assessed through stakeholder engagement and assigning weightage to each stakeholder group according to its priority to AHB which has been earlier assessed via a Stakeholder Prioritisation Matrix.

The Materiality Matrix revealed that the following sustainability matters are material as they have the greatest significance to the Group's long-term business value as well as substantively influence stakeholders' decisions and interests:

1. Training and Development
2. Energy Conservation
3. Community Investment

D. MANAGEMENT OF MATERIAL SUSTAINABILITY MATTERS

Material Sustainability Matter: Social Training and Development

Policy

The Group believes that a strong culture of learning plays a vital role in enhancing sustainable growth. As a matter of policy, the training and development programs of the Group focus on leadership, broadening professional knowledge and enhancing productivity.

Measures and Actions

Within the Group, Apex Healthcare Berhad Continuing Professional Development ("Apex Healthcare CPD") was launched in January 2013 as part of the Group's training and development strategies. Apex Healthcare CPD provides a platform for the employees to leverage their talents and to develop their skills and competencies. Since its inauguration, various programs encompassing management and leadership skills, financial management, pharmacy and therapeutics, marketing and selling skills, safety and health workshops, topics in relation to Sustainability, Personal Data Protection Act 2010, Companies Act 2016 have been conducted under the auspices of Apex Healthcare CPD for its employees.

In 2017, the programs that were organised by Apex Healthcare CPD cover a range of topics including marketing, financial management, occupational safety and health for Klang Valley warehouse personnel, situational leadership and presentation skills. Intradepartmental training and development programs relevant to the specific needs of various departments of the Group are also provided by their respective departmental heads. XEPA is also recognised by the Pharmacy Board Malaysia as one of the Training Premises for Provisionally Registered Pharmacist (PRP). The PRPs are exposed to various areas relevant to pharmacy practice; encompassing production and packaging, laboratory testing, quality assurance, innovation and development, regulatory affairs and marketing and distribution. This accreditation further consolidates the commitment of the Group to providing training and development of junior pharmacists in their pursuit of professional excellence.

Indicators

a. Choice of Indicator

The number of training hours per annum by employee category is adopted by the Board as the indicator. The number of training hours of employees of AHB's key subsidiaries, namely XEPA and APM, which are scoped within this Sustainability Statement are organised in different job grades, namely "Manager to Senior Manager", "Executive" and "Non-Executive".

b. Baseline

Year 2015 is adopted as the baseline against which the data for training and development will be benchmarked to determine if the performance in this area has improved. The said year is adopted as the Board considers that the 2-year time period following the establishment of Apex Healthcare CPD will be able to provide the Group reasonable experience in formalising its training and development programs.

The number of training hours of employees of AHB's key subsidiaries, namely XEPA and APM, which are scoped within this Sustainability Statement in 2015, 2016 and 2017 are as follows:

No of tranining hours	2015	2016	2017
Manager to Senior Manager	5,080	3,788	3,333
Executive	5,886	6,259	5,581
Non-Executive	10,470	9,643	11,254
Total	**21,436**	**19,690**	**20,168**

c. **Goal**

The Social goal of AHB is to ensure that all employees are provided with training and development according to the required skill sets dictated by their job.

d. **Measurement of Progress**

Continuous monitoring is conducted to provide a quantitative gauge that measures the adequacy of training and development provided to the employees. The number of training hours is reported on a yearly basis or more regularly as the Board sees fit to allow the Group to closely track its performance and determine if any change is required to ensure the goal is still achievable.

Material Sustainability Matter: Environmental Energy Conservation

Policy

AHB's environmental policy is foremost to improve energy efficiency and minimise energy consumption as far as possible while ensuring that the relevant regulations and standards are met.

Measures and Actions

In APM's main warehouse in Subang Jaya, environmentally-responsible and efficient technologies and systems are adopted to reduce energy emission which include the progressive retrofitting of existing lighting of 48W fluorescent tubes with energy-saving 22W LED lights.

While in XEPA, the replacement of air-cooled chiller with new water-cooled chiller in the form of HVAC cooling system at the Liquids and Solids Production Plants in Melaka, has led to reduction in energy consumption while providing optimal cooling for the production plants

Indicators

a. **Choice of Indicators**

The Group's indicator for energy consumption, as measured by the total energy consumed in terms of Kilowatt hour ("kWh") per million Ringgit ("RM") revenue of XEPA and APM, both entities being the key subsidiaries of AHB, is monitored monthly and reviewed regularly. The measures and actions taken are poised to improve energy efficiency and minimise energy consumption

b. **Baseline**

The Group formalised the collection of data pertaining to energy conversation from XEPA and APM with effect from 2016 in accordance with Bursa Malaysia Securities Berhad's emphasis on a robust sustainability framework. Thus, year 2016 is adopted as the baseline.

Average amount of energy consumption in kWh per million RM revenue by XEPA and APM in 2017 and 2016 are shown as follows:

Average kWh per million RM revenue	2016	2017	2017 vs 2016
XEPA	72,692	61,635	-15%
APM	4,155	3,808	-8.3%

c. **Goal**

The Environmental goal of AHB is to ensure that there is sustainability in energy conservation as measured by a reduction of energy consumption in terms of kWh per Million RM revenue year-on-year.

d. **Measurement of Progress**

The reduction in energy consumed in terms of kWh per Million RM revenue is tracked on a monthly basis. As and when there are new measures and actions instituted proposed by the Management, the Sustainability Committee will review and report to the Board.

Material Sustainability Matter : Economic Community Investment

Policy

The Group's strategic sustainability direction as far as community investment is concerned involves voluntary contributions in the form of cash donations and sponsorships to enhance socioeconomic benefits and to create a positive social impact.

Measures and Actions

The Group supports cash contribution to the following causes as determined by Sustainability Committee, namely Education, Disadvantaged, and Miscellaneous; as well as non-cash contributions in the form of participation in job fairs, factory visits, exhibitions, roadshows, social outreach programs.

Indicators

a. **Choice of Indicators**

The Group's community investment is guided by contribution to the following causes: Education, Disadvantaged and Miscellaneous, the percentage of which is determined by the Sustainability Committee. The Sustainability Committee may vary the weightage of contribution depending on the needs of the communities within which the Group operates.

b. **Baseline**

The Group formalised its endeavours towards community investment with effect from 2017 and as a result, year 2017 is adopted as the baseline for purpose of Economic sustainability reporting.

In 2017, the notable contributions amongst several are as follows:

Education: University of Malaysia: Gold Sponsor and Best Achievement Award for Pharmacy Practice, preschool building project in interior of Sabah, UCSI University: Best Achievement Award for Pharmacy Practice.

Disadvantaged: Persatuan Hospis Melaka, flood victims in Penang and Kedah, Persatuan Barah Malaysia, Persatuan Orang-Orang Cacat Anggota Malaysia.

Miscellaneous: Migrant Ministry Klang and its affiliated El Shaddai Centre, which is endorsed by United Nations High Commission for Refugees (UNHCR).

c. **Goal**

AHB aims to ensure that its business operations take into account the socioeconomic benefits through sustainable community investment year-on-year.

d. **Measurement of Progress**

The Sustainability Committee assesses and determines the quantum of contributions made by the Group as and when there are needs by the communities.

FINANCIAL STATEMENTS

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 2017.

CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Apex Healthcare Berhad ("the Company") is incorporated in Malaysia. The principal activities of the Company are investment holding and the provision of management services. Corporate information of the Company are set out in Note 1 to the financial statements.

The key principal activities of the subsidiaries are the manufacturing, marketing, distribution and wholesaling of pharmaceutical and healthcare products. The name, place of incorporation, activities of its subsidiaries and the percentage of issued share capital held by the Company in each subsidiary are set out in Note 17 to the financial statements.

RESULTS

	Group RM	Company RM
Profit, net of tax	44,487,709	29,957,064
Profit attributable to:		
Owners of the parent	44,458,641	29,957,064
Non-controlling interests	29,068	-
	44,487,709	29,957,064

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

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.

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2016 were as follows:

	RM
In respect of the financial year ended 31 December 2016 as reported in the directors' report of that year:	
Final single-tier dividend of 6.0 sen per share on 117,146,093 ordinary shares, approved on 17 May 2017 and paid on 16 June 2017	7,028,766
In respect of the financial year ended 31 December 2017:	
Interim single-tier dividend of 5.5 sen per share on 117,146,093 ordinary shares, declared on 16 August 2017 and paid on 29 September 2017	6,443,032
	13,471,798

DIVIDENDS (Cont'd)

At the forthcoming Annual General Meeting, a final single-tier dividend of 6.5 sen per share in respect of the financial year ended 31 December 2017, on 117,146,093 ordinary shares, amounting to a dividend payable of RM7,614,496 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 2018.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dr. Kee Kirk Chin
Robert Dobson Millner
Leong Khai Cheong
Heng Su-Ling Mae
Jackson Chevalier Yap-Kit-Siong
Datuk Noharuddin Bin Nordin @ Harun
Tong Yew Sum
Kee Kirk Chuen

The names of the directors of the subsidiaries of the Company since the beginning of the financial year to the date of this report, not including those directors listed above are:

Tan Hing Tai
Ch'ng Kien Peng
Chiew Woon Wui
Kee Chin Joo
Koh Chee Yang (alternate to Michele Tan)
Michele Tan
Ki Tak Sang @ Kee Tak Sang (resigned on 30 June 2017)

In accordance with the Company's Articles of Association, Heng Su-Ling Mae and Datuk Noharuddin Bin Nordin @ Harun retire by rotation 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, other than those arising from share options granted to a director under the Executive Share Option Scheme ("ESOS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the directors or the fixed salary of a full-time employee 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.

DIRECTORS' BENEFITS (Cont'd)

Fees and other benefits distinguished separately, paid to or receivable by the Directors of the Company from the Company or its subsidiary companies, inclusive of all fees, percentages, bonuses, commissions, compensation for loss of office (if any), any contribution in respect of them under any pension or retirement benefits scheme were as follows:

Analysis of remuneration for the financial year ended 31 December 2017

	Group RM	Company RM
Directors:		
- fees (Note 8)	595,250	595,250
- salaries	838,692	105,480
- bonus	1,877,937	58,268
- defined contribution plans	99,446	23,741
Benefits-in-kind	115,579	115,579
	3,526,904	898,318
Other emoluments	58,687	58,687
Total directors' remuneration	3,585,591	957,005

DIRECTORS' INDEMNITY

There was no amount of insurance premium paid or payable for the directors or officers of the Company in respect of their liability for any act or omission in their capacity as directors or officers of the Company or in respect of costs incurred by them in defending or settling any claim or proceedings relating to any such liability for the financial period.

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 and its related corporations during the financial year were as follows:

	Number of ordinary shares			
Name of directors	As at 1.1.2017	Acquired	Disposed	As at 31.12.2017
Direct interest:				
Dr. Kee Kirk Chin	950,000	160,312	-	1,110,312
Robert Dobson Millner	23,437	-	-	23,437
Jackson Chevalier Yap-Kit-Siong	23,437	-	-	23,437
Leong Khai Cheong	148,437	-	-	148,437
Datuk Noharuddin Bin Nordin @ Harun	10,000	-	-	10,000
Kee Kirk Chuen	46,875	160,000	-	206,875

DIRECTORS' INTERESTS (Cont'd)

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 and its related corporations during the financial year were as follows (Cont'd):

	Number of ordinary shares			
Name of directors	**As at 1.1.2017**	**Acquired**	**Disposed**	**As at 31.12.2017**
Indirect interest:				
Dr. Kee Kirk Chin	48,335,956	82,000	-	48,417,956
Kee Kirk Chuen	48,335,956	82,000	-	48,417,956

	Number of options over ordinary shares pursuant to ESOS			
	As at 1.1.2017	**Granted**	**Exercised**	**As at 31.12.2017**
Direct interest:				
Dr. Kee Kirk Chin	70,000	70,000	-	140,000

Dr. Kee Kirk Chin and Kee Kirk Chuen, by virtue of their interests in shares in the Company, are also deemed interested in shares of all the subsidiaries of the Company to the extent the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

At an Extraordinary General Meeting held on 18 May 2016, the Company's shareholders approved an Executive Share Option Scheme ("ESOS") of up to 10% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the existence of the ESOS. This ESOS shall be in force for a period of five (5) years from 1 July 2016 and may be extended by the Board of Directors at their absolute discretion for a further period of five (5) years but will not, in aggregate, exceed ten (10) years from 1 July 2016 or such longer period as may be allowed by the relevant authorities.

The details of the ESOS are disclosed in Note 27 to the financial statements.

During the financial year, the Company has granted 775,000 share options under the ESOS plan. These options have a vesting period of two (2) years from 1 September 2017 to 31 August 2019 and expire on 30 June 2021. These options are exercisable if the employee remains in service for two (2) years from the date of grant.

EXECUTIVE SHARE OPTION SCHEME ("ESOS") (Cont'd)

Details of all the options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 December 2017 are as follows:

Expiry date	Exercise price (RM)	Number of options
30 June 2021	3.36	730,000
30 June 2021	4.35	775,000
Total		1,505,000

Details of options granted to directors are disclosed in the section on Directors' interests in this report.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position 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 allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values 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) it necessary to write off any bad debts or the amount of the allowance 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 or 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 of the Group or of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (Cont'd)

(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 or 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 or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENT

Details of the subsequent event is disclosed in Note 37 to the financial statements.

AUDITORS

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

The total amount paid to or receivable by the auditors as remuneration for their services for the current financial year as auditors of the Group and of the Company are RM288,400 and RM72,000 respectively.

To the extent permitted by law, the Group and the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of the audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 March 2018.

Dr. Kee Kirk Chin **Heng Su-Ling Mae**

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, Dr. Kee Kirk Chin and Heng Su-Ling Mae, 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 58 to 144 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 March 2018.

Dr. Kee Kirk Chin

Heng Su-Ling Mae

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Chiew Woon Wui, being 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 58 to 144 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 Chiew Woon Wui
at Melaka in Malaysia
on 15 March 2018

Chiew Woon Wui

Before me,

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Apex Healthcare Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 144.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

<u>Inventory - Costing of manufactured goods and write-down of inventories</u>

(Refer Note 22 – Inventory, 2.16 Summary of significant accounting policies: Inventories, and 3.2(e) Key sources of estimation uncertainty: Write down of inventories)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

Key audit matters (Cont'd)

Inventory - Costing of manufactured goods and write-down of inventories (Cont'd)

As at the reporting date, the Group held an inventory balance of RM69 million, which represents 23% of current assets of the Group, as disclosed in Note 22 of the financial statements. The Group's manufacturing segment uses standard costing in measuring its finished goods, which includes an element of estimation in the allocation of overhead costs. Write-down of inventories is assessed at year-end by management and judgements are involved in estimating the net realizable value ("NRV") of these inventories through the use of sales forecasts. We considered this to be a key audit matter given the level of judgements involved in determining the cost and NRV of inventories and the magnitude of the inventory balance.

As part of our audit procedures, we have obtained an understanding of management's process in the application of standard costing in measuring its finished goods, including the allocation of overhead costs. We tested the costing on samples of finished goods by examining and recomputing the elements which made up the standard cost. We then compared the standard cost against the actual cost and inquired with management on significant variances noted. We have also obtained an understanding of management's process in the write-down of inventories based on the Group's policy. We selected samples of inventories and tested the NRV by verifying the sale of these inventories subsequent to the reporting date to corroborate management's sales forecasts.

Trade Receivables – Impairment of trade receivables

(Refer Note 20 – Trade receivables, Note 2.17(b) - Summary of significant accounting policies: Loans and receivables and Note 34(c) – Credit risk)

As at the reporting date, trade receivables of the Group amounted to RM132 million as disclosed in Note 20 to the financial statements. Trade receivables were significant to the Group as they represent 45% of the current assets and a key element of Apex's working capital, which is managed on an ongoing basis by the management. The impairment assessment of trade receivables requires significant management judgment in assessing the trade debtors' ability to pay, which in turn impacts the recoverability of the Group's receivables. We focused on this area because it requires a high level of management judgement and due given the magnitude of the amount involved.

We have obtained an understanding of the Group's processes relating to the monitoring of trade receivables and considered the ageing of the trade receivables to identify collection risks. Our audit procedures include, amongst others, sending confirmations, and reviewing for collectability by way of obtaining evidence of subsequent receipts from the trade receivables on a sampling basis. We challenged management's assumptions used to calculate the trade receivables impairment amount, notably through detailed analysis of ageing of receivables and assessment of significant overdue individual trade receivables. We tested aged balances where no provision was recognised to check that there were no indicators of impairment. This included verifying if payments had been received subsequent to the reporting date and also reviewing historical payment patterns. We also assessed the adequacy of the Group's disclosures on the trade receivables and the related risks.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

Information other than the financial statements and auditors' report thereon (Cont'd)

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

Auditors' responsibilities for the audit of the financial statements (Cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF : 0039
Chartered Accountants

Ng Kim Ling
No. 3236/04/18(J)
Chartered Accountant

Kuala Lumpur, Malaysia
15 March 2018

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Revenue	4	**620,263,997**	581,268,777	**33,302,572**	32,820,417
Cost of sales/services rendered	5	**(484,426,427)**	(452,942,953)	**(2,121,122)**	(1,808,255)
Gross profit		**135,837,570**	128,325,824	**31,181,450**	31,012,162
Other income	6	**7,057,954**	6,215,417	**1,460,167**	1,889,419
Administrative expenses		**(23,340,803)**	(21,750,143)	**(1,913,345)**	(1,969,804)
Selling and marketing expenses		**(66,451,300)**	(63,626,714)	**(5,272)**	(8,316)
Other expenses		**(2,423,614)**	(2,640,711)	**(104,950)**	(2,442,541)
Operating profit		**50,679,807**	46,523,673	**30,618,050**	28,480,920
Finance costs	7	**(976)**	(20,448)	**-**	-
Share of after tax results on associate		**5,368,000**	(209,228)	**-**	-
Profit before tax	8	**56,046,831**	46,293,997	**30,618,050**	28,480,920
Income tax expense	11	**(11,559,122)**	(11,305,805)	**(660,986)**	(495,056)
Profit, net of tax		**44,487,709**	34,988,192	**29,957,064**	27,985,864
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:					
Foreign currency translation		**(140,774)**	2,089,676	**-**	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods, representing total other comprehensive income		**(140,774)**	2,089,676	**-**	-
Total comprehensive income for the year, net of tax		**44,346,935**	37,077,868	**29,957,064**	27,985,864

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Profit attributable to:					
Owners of the parent		**44,458,641**	34,954,560	**29,957,064**	27,985,864
Non-controlling interest		**29,068**	33,632	**-**	-
		44,487,709	34,988,192	**29,957,064**	27,985,864
Total comprehensive income attributable to:					
Owners of the parent		**44,317,867**	37,044,236	**29,957,064**	27,985,864
Non-controlling interest		**29,068**	33,632	**-**	-
		44,346,935	37,077,868	**29,957,064**	27,985,864
Earnings per share attributable to owners of the parent (sen per share):					
- Basic	12	**37.95**	29.84		
- Diluted	12	**37.90**	29.83		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Assets					
Non-current assets					
Property, plant and equipment	14	**124,973,780**	100,841,289	**257,784**	360,777
Investment properties	15	**10,048,487**	7,383,225	**-**	-
Intangible assets	16	**1,970,448**	2,021,846	**-**	-
Investment in subsidiaries	17	**-**	-	**56,377,940**	56,377,940
Investment in an associate	18	**10,474,220**	5,106,220	**5,106,220**	5,106,220
Deferred tax asset	19	**212,270**	4,000	**-**	-
Trade and other receivables	20	**10,000,000**	10,000,000	**20,524,500**	20,524,500
Long term investment	21	**-**	5,520,000	**-**	5,520,000
		157,679,205	130,876,580	**82,266,444**	87,889,437
Current assets					
Inventories	22	**69,017,815**	65,777,599	**-**	-
Trade and other receivables	20	**139,322,075**	138,826,957	**102,147,558**	81,307,895
Prepayments		**4,148,483**	568,112	**1,134**	9,854
Tax recoverable		**295,156**	222,819	**290,906**	218,569
Derivative financial instruments	23	**17,154**	101,058	**-**	-
Long term investment	21	**5,520,000**	-	**5,520,000**	-
Short term deposits and investment	24	**28,973,143**	47,880,347	**5,994,671**	10,222,679
Cash and bank balances	24	**51,930,082**	34,154,406	**1,644,366**	790,445
		299,223,908	287,531,298	**115,598,635**	92,549,442
Total assets		**456,903,113**	418,407,878	**197,865,079**	180,438,879

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Equity and liabilities					
Current liabilities					
Trade and other payables	25	**106,544,679**	99,878,206	**3,141,950**	2,613,795
Hire purchase payable	26	**6,820**	13,020	**-**	-
Derivative financial instruments	23	**128,081**	-	**-**	-
Income tax payable		**3,505,043**	1,926,867	**-**	-
		110,184,623	101,818,093	**3,141,950**	2,613,795
Net current assets		**189,039,285**	185,713,205	**112,456,685**	89,935,647
Non-current liabilities					
Hire purchase payable	26	**-**	11,935	**-**	-
Deferred tax liabilities	19	**3,063,305**	4,190,536	**-**	-
		3,063,305	4,202,471	**-**	-
Total liabilities		**113,247,928**	106,020,564	**3,141,950**	2,613,795
Net assets		**343,655,185**	312,387,314	**194,723,129**	177,825,084
Equity attributable to owners of the parent					
Share capital	27	**117,146,093**	117,146,093	**117,146,093**	117,146,093
Other reserves	28	**13,655,886**	13,383,881	**509,017**	96,238
Retained earnings	29	**212,431,934**	181,441,136	**77,068,019**	60,582,753
		343,233,913	311,971,110	**194,723,129**	177,825,084
Non-controlling interest		**421,272**	416,204	**-**	-
Total equity		**343,655,185**	312,387,314	**194,723,129**	177,825,084
Total equity and liabilities		**456,903,113**	418,407,878	**197,865,079**	180,438,879

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2017

	Note	Equity, total	Equity attributable to owners of the parent, total	Share capital (Note 27)	Share option reserve (Note 28)	Foreign currency translation reserve (Note 28)	Retained earnings (Note 29)	Non-controlling interest
			Attributable to owners of the parent					
				Non-distributable			Distributable	
		RM	RM	RM	RM	RM	RM	RM
Group								
At 1 January 2017		312,387,314	311,971,110	117,146,093	96,238	13,287,643	181,441,136	416,204
Profit, net of tax		44,487,709	44,458,641	-	-	-	44,458,641	29,068
Other comprehensive income		(140,774)	(140,774)	-	-	(140,774)	-	-
Total comprehensive income		44,346,935	44,317,867	-	-	(140,774)	44,458,641	29,068
Share-based payment transactions								
- Share options granted		416,734	416,734	-	416,734	-	-	-
- Share options expired transfer to retained earnings		-	-	-	(3,955)	-	3,955	-
		416,734	416,734	-	412,779	-	3,955	-
Transaction with owners								
Dividends on ordinary shares, representing total transactions with owners	13	(13,495,798)	(13,471,798)	-	-	-	(13,471,798)	(24,000)
At 31 December 2017		343,655,185	343,233,913	117,146,093	509,017	13,146,869	212,431,934	421,272

			Attributable to owners of the parent					
				Non-distributable			Distributable	
	Note	Equity, total	Equity attributable to owners of the parent, total	Share capital (Note 27)	Share option reserve (Note 28)	Foreign currency translation reserve (Note 28)	Retained earnings (Note 29)	Non-controlling interest
		RM	RM	RM	RM	RM	RM	RM
Group								
At 1 January 2016		288,685,006	288,302,434	117,146,093	-	11,197,967	159,958,374	382,572
Profit, net of tax		34,988,192	34,954,560	-	-	-	34,954,560	33,632
Other comprehensive income		2,089,676	2,089,676	-	-	2,089,676	-	-
Total comprehensive income		37,077,868	37,044,236	-	-	2,089,676	34,954,560	33,632
Share-based payment transactions								
- Share options granted		96,238	96,238	-	96,238	-	-	-
Transaction with owners								
Dividends on ordinary shares, representing total transactions with owners	13	(13,471,798)	(13,471,798)	-	-	-	(13,471,798)	-
At 31 December 2016		312,387,314	311,971,110	117,146,093	96,238	13,287,643	181,441,136	416,204

	Note	Share capital (Note 27) RM	Non-distributable share option reserve (Note 28) RM	Distributable Retained earnings (Note 29) RM	Equity, total RM
Company					
At 1 January 2017		**117,146,093**	**96,238**	**60,582,753**	**177,825,084**
Profit, net of tax, representing total comprehensive income		**-**	**-**	**29,957,064**	**29,957,064**
Share-based payment transactions					
- Share options granted		**-**	**416,734**	**-**	**416,734**
- Share options expired transfer to retained earnings		**-**	**(3,955)**	**-**	**(3,955)**
Transaction with owners					
Dividends on ordinary shares, representing total transactions with owners	13	**-**	**-**	**(13,471,798)**	**(13,471,798)**
At 31 December 2017		**117,146,093**	**509,017**	**77,068,019**	**194,723,129**
At 1 January 2016		117,146,093	-	46,068,687	163,214,780
Profit, net of tax, representing total comprehensive income		-	-	27,985,864	27,985,864
Share-based payment transactions					
- Share options granted		-	96,238	-	96,238
Transaction with owners					
Dividends on ordinary shares, representing total transactions with owners	13	-	-	(13,471,798)	(13,471,798)
At 31 December 2016		117,146,093	96,238	60,582,753	177,825,084

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Operating activities					
Profit before tax		**56,046,831**	46,293,997	**30,618,050**	28,480,920
Adjustments for:					
Property, plant and equipment					
- depreciation	8	**9,132,044**	8,824,106	**113,393**	114,037
- written off	8	**327,362**	735,033	**6**	2,098
Depreciation of investment properties	8	**62,585**	58,440	**-**	-
Intangible assets					
- amortisation	8	**315,159**	196,693	**-**	-
- written off	8	**2,694**	9	**-**	-
Gain on disposal of property, plant and equipment	6	**(442,215)**	(195,276)	**-**	-
Loss on disposal of property, plant and equipment	8	**-**	4,166	**-**	-
Interest expense	7	**976**	20,448	**-**	-
Interest income on:					
- advances to subsidiaries	6	**-**	-	**(507,980)**	(488,760)
- advances to an associate	6	**(475,205)**	(450,000)	**(475,205)**	(450,000)
- short term deposits and investment	6	**(1,776,580)**	(1,208,954)	**(263,892)**	(374,351)
- long term investment	6	**(212,323)**	(212,806)	**(212,323)**	(212,806)
Impairment of investment in an associate		**-**	-	**-**	2,300,402
Dividend income	4	**-**	-	**(30,020,000)**	(30,020,000)
Net fair value loss/(gain) on derivative financial instruments	8	**211,985**	(48,707)	**-**	-
Share options granted	9	**416,734**	96,238	**63,488**	14,502
Total adjustments carried forward		**7,563,216**	7,819,390	**(31,302,513)**	(29,114,878)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2017 (CONT'D)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Operating activities (Cont'd)					
Total adjustments brought forward		**7,563,216**	7,819,390	**(31,302,513)**	(29,114,878)
Share of results in an associate		**(5,368,000)**	209,228	**-**	-
Impairment loss on trade receivables	8	**625,237**	614,354	**-**	-
Bad debts written off	8	**-**	4,366	**-**	-
Reversal of impairment loss on trade receivables	8	**(363,021)**	(492,680)	**-**	-
Inventories (written back)/ written off	8	**(40,433)**	543,889	**-**	-
Inventories written down	8	**393,495**	487,555	**-**	-
Reversal of inventories written down	8	**(222,630)**	(171,383)	**-**	-
Net unrealised foreign exchange gain	8	**(31,138)**	(398,719)	**-**	(363,325)
Total adjustments		**2,556,726**	8,616,000	**(31,302,513)**	(29,478,203)
Operating cash flows before changes in working capital		**58,603,557**	54,909,997	**(684,463)**	(997,283)
<u>Changes in working capital</u>					
Inventories		**(3,370,648)**	(5,772,122)	**-**	-
Trade and other receivables		**(4,514,478)**	(8,544,452)	**17,490**	20,583
Subsidiaries		**-**	-	**(20,736,293)**	(19,335,393)
Associate		**236,294**	(130,000)	**236,294**	(130,000)
Trade and other payables		**6,757,030**	4,765,851	**529,011**	(240,744)
Total changes in working capital		**(891,802)**	(9,680,723)	**(19,953,498)**	(19,685,554)
Cash flows generated from/(used in) operations		**57,711,755**	45,229,274	**(20,637,961)**	(20,682,837)
Taxes paid		**(11,388,784)**	(11,432,812)	**(733,322)**	(447,800)
Dividends received	4	**-**	-	**30,020,000**	30,020,000
Net cash flows generated from operating activities		**46,322,971**	33,796,462	**8,648,717**	8,889,363

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Investing activities					
Purchase of property, plant and equipment	14(a)	**(34,070,510)**	(9,310,192)	**(10,406)**	(30,819)
Purchase of investment properties	15	**(2,735,479)**	(860,323)	**-**	-
Purchase of intangible assets	16	**(266,455)**	(480,530)	**-**	-
Proceeds from disposal of property, plant and equipment		**787,687**	243,868	**-**	-
Dividend paid to Non-Controlling interests		**(24,000)**	-	**-**	-
Interest received		**2,464,108**	1,871,760	**1,459,400**	1,525,917
Withdrawal in short term deposits and investment		**4,228,008**	2,313,061	**4,228,008**	2,313,061
Net cash flows (used in)/ generated from investing activities		**(29,616,641)**	(6,222,356)	5,677,002	3,808,159
Financing activities					
Dividends paid	13	**(13,471,798)**	(13,471,798)	**(13,471,798)**	(13,471,798)
Interest paid		**(976)**	(20,448)	**-**	-
Repayment of hire purchase obligation		**(18,135)**	(11,795)	**-**	-
Net cash flows used in financing activities		**(13,490,909)**	(13,504,041)	**(13,471,798)**	(13,471,798)
Net increase/(decrease) in cash and cash equivalents		**3,215,421**	14,070,065	**853,921**	(774,276)
Effect of exchange rate changes on cash and cash equivalents		**(118,941)**	924,761	**-**	-
Cash and cash equivalents at 1 January		**71,812,074**	56,817,248	**790,445**	1,564,721
Cash and cash equivalents at 31 December	24	**74,908,554**	71,812,074	**1,644,366**	790,445

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

1. CORPORATE INFORMATION

Apex Healthcare Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 1-5, Jalan TTC 1, Cheng Industrial Estate, 75250 Melaka.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 17 to the financial statements.

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

Related companies refer to companies within the Apex Healthcare Berhad group.

The financial statements for the financial year ended 31 December 2017 were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by Malaysian Accounting Standards Board, International Financial Reporting Standards as issued by the International Accounting Standards Board, and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017.

Description	Effective for annual periods beginning on or after
MFRS 107 Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	1 January 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Changes in accounting policies (Cont'd)

MFRS 107 Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. The application of these amendments has had no impact on the Group and on the Company.

MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to MFRS Standards 2014–2016 Cycle

**Amendments to MFRS 12 Disclosure of Interests in Other Entities:
Clarification of the scope of disclosure requirements in MFRS 12**

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

The amendments to MFRS 2 address three main areas:

(a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;

(b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

(c) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments will have a significant impact on the Group's and the Company's financial statements as the Group and the Company do not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The Group plans to adopt the new standard on the required effective date and is currently assessing the impact of MFRS 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. The directors have assessed the effects of applying the new standard on the Group's financial statements and concluded that the application of MFRS 15 will not have a significant impact.

(a) Sale of goods

The Group's contract with its customers are for the manufacturing and distribution of pharmaceutical and healthcare products. These sales are generally made on an outright basis and does not constitute several distinct performance obligations, hence the adoption of MFRS 15 is not expected to have any impact on the Group's revenue and profit or loss.

(b) Rights of return

The Group provide its customers with a right to return of its products as part of its customary business practice. Customers may only exercise their rights to return when certain conditions are met i.e., products which are damaged upon receipt; products which are wrongly supplied; and products with a specified remaining shelf life that can be returned within a stated return period. The Group concluded that upon the adoption of MFRS 15, the adjustment to revenue from the sale of goods with a related adjustment to cost of sales will not be significant.

(c) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will not be significant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. The Group will apply these amendments when they become effective. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

Annual Improvements to MFRS Standards 2014–2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

(a) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters

This amendment is not applicable to the Group as the Group is not a first-time adopter of MFRS.

(b) MFRS 128 Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which:

- the investment entity associate or joint venture is initially recognised;
- the associate or joint venture becomes an investment entity; and
- the investment entity associate or joint venture first becomes a parent.

Earlier application of these amendments are permitted and must be disclosed. These amendments are not applicable to the Group as the Group is not a venture capital organisation and the Group does not have any associate or joint venture that is an investment entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the amendments either retrospectively or prospectively. Specific transition provisions apply to prospective application. Early application is permitted and must be disclosed. The application of these amendments will not have an impact on the Group and on the Company as the Group and the Company are already accounting for transactions involving the payment or receipt of advance consideration in foreign currency in a way that is consistent with the amendments.

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

MFRS 16 Leases (Cont'd)

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The standard will affect primarily the accounting for the Group's operating leases. As 31 December 2017, the Group has non-cancellable operating lease commitments of RM1,316,537. However, the Group has not assessed if there are any adjustments which are necessary because of the different treatment of variable lease payments, extension or termination options. It is therefore not practicable at this juncture to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of MFRS 16 and how this may affect the Group's profit or loss and classification of cash flows going forward.

MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Company do not expect the amendments to have any impact on the Group's and the Company's financial statements.

Annual Improvements to MFRS Standards 2015–2017 Cycle

The Annual Improvements to MFRS Standards 2015-2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

(a) MFRS 3 Business Combinations: Previously held interests in a joint operation

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

Annual Improvements to MFRS Standards 2015–2017 Cycle (Cont'd)

(b) MFRS 11 Joint Arrangements: Previously held interests in a joint operation

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

(c) MFRS 112 Income Taxes: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

(d) MFRS 123 Borrowing Costs: Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement, which occurs during the reporting period. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. These amendments will not have a significant impact on the Group's and the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

MFRS 17 Insurance Contracts

MFRS 17 will replace MFRS 4 Insurance Contracts. MFRS 17 applies to all types of insurance contracts (i.e life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. This standard is not applicable to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate or a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its involvement with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

(i) The contractual arrangement with the other vote holders of the investee;

(ii) Rights arising from other contractual arrangements; and

(iii) The Group's voting rights and potential voting rights.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.4 Basis of consolidation (Cont'd)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS139, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Subsidiaries are consolidated using the acquisition method of accounting except for certain subsidiaries, as disclosed in Note 17, which were acquired prior to 1 January 2002 using the merger method of accounting. These subsidiaries continue to be accounted for using the merger method of accounting.

Under the merger method of accounting, the results of the subsidiaries are presented as if the companies had been combined throughout the current and previous financial years. Any difference between the consideration paid and the share capital of the acquired subsidiary is reflected within equity as merger reserve. The merger reserve has been subsequently set off against retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 Business combinations and goodwill (Cont'd)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.6 Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the assets or liability; or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group would use, if any, valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.6 Fair value measurement (Cont'd)

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as derivative financial instruments.

External valuers are involved for valuation of significant assets, such as properties and significant liabilities, such as contingent consideration. Selection criteria of external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.7 Current versus non-current classification

The Group and the Company present assets and liabilities in statement of financial position based on current/ non-current classification. An asset is current when it is:

(i) Expected to be realised or intended to be sold or consumed in normal operating cycle;

(ii) Held primarily for the purpose of trading;

(iii) Expected to be realised within twelve months after the reporting period; or

(iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.7 Current versus non-current classification (Cont'd)

All other assets are classified as non-current.

A liability is current when:

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.8 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Group, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Group.

2.9 Foreign currencies

(a) 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.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.9 Foreign currencies (Cont'd)

(b) Foreign currency transactions and balances (Cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in other comprehensive income.

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.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations 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 reporting date.

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land is measured at cost less any accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.10 Property, plant and equipment

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land are depreciated over the period of their respective lease term. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, at the annual rates stated below:

Leasehold land	35 - 85 years
Buildings	2 - 3%
Plant, machinery and factory equipment	10 - 15%
Furniture, fittings and equipment	10 - 33 1/3%
Motor vehicles	20%
Renovation	10 - 20%

Capital-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.11 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. All other repair and maintenance costs are recognised in profit or loss as incurred. The investment properties are depreciated in accordance with that for property, plant and equipment as described in Note 2.10.

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 is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purpose.

Investment properties under construction included in investment properties are measured at cost and are not depreciated as these assets are not yet available for use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.12 Intangible assets

Intangible assets acquired separately are measured initially 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 measured at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated 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 are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss, in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives or not yet available for use are not amortised, but are tested for impairment annually either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(a) Research and development cost

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

(b) Trademark

Trademark was acquired through business combinations. The useful life of trademark is estimated to be indefinite because based on the current market share of the trademark, management believes there is no foreseeable limit to the period over which the trademark are expected to generate net cash flows to the Group. Trademark is 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.

(c) Computer software

Software costs, considered to have finite useful lives, are stated at cost less any impairment losses and amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 5 years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.13 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset 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 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 of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses including impairment on inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.14 Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for 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.

2.15 Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.15 Investment in an associate (Cont'd)

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associates are accounted for 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.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value, after adequate allowance made for damaged, expired and slow moving items.

Cost is determined using the standard cost and the weighted average methods. The cost of raw materials comprises costs of purchase. The cost of finished goods and work-in-progress consists of raw materials, direct labour, other direct costs and appropriate proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs. Standard cost approximates actual cost and is calculated on a weighted average basis.

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

2.17 Financial assets

Financial assets, within the scope of MFRS139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.17 Financial assets (Cont'd)

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Available-for-sale financial assets ("AFS")

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the two preceding categories.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.17 Financial assets (Cont'd)

(c) Available-for-sale financial assets ("AFS") (Cont'd)

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.18 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.18 Impairment of financial assets (Cont'd)

(a) Trade and other receivables and other financial assets carried at amortised cost (Cont'd)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short term deposits and investment with a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's and of the Company's cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.20 Provisions

Provisions are recognised when the Group or the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. When the Group or the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss, net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions 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 a finance costs.

2.21 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and hire purchase payable.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Hire purchase payable is recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Hire purchase payable is classified under current and non-current liabilities as disclosed in Note 26.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.21 Financial liabilities (Cont'd)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.22 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group and the Company have incurred in connection with the borrowing of funds.

2.23 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees. 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.

(b) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. The Group's foreign subsidiaries in the Republic of Singapore make contributions to their country's Central Provident Fund ("CPF"). Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Share options plan

Executives of the Group and the Company receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with executives is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.23 Employee benefits (Cont'd)

(c) Share options plan (Cont'd)

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.24 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.25 Leases

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

(a) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.25 Leases (Cont'd)

(b) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.26(e).

2.26 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue is recognised net of sales taxes and discounts upon transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue is recognised net of services taxes and discounts as and when the services are performed.

(c) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

(d) Interest income

Interest income is recognised on the accrual basis, using the effective interest method, unless recoverability is in doubt, in which case, it is recognised on receipt basis.

(e) Rental income

Rental income from investment properties is recognised on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(f) Management service fees

Management service fees are recognised when services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.27 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.27 Income taxes (Cont'd)

(b) Deferred tax (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.30 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Judgements made in applying accounting policies

The preparation of the Group's and of the Company's financial statements requires management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures at the reporting date. However, uncertainty about these estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's and the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Classification between investment properties and property, plant and equipment

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

Some properties comprise a portion that is held to earn rental 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.

(b) Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment properties. The commercial properties combined leases of land and buildings. At the inception of the lease, it was not possible to obtain a reliable estimate of the split of the fair values of the lease interest between the land and the buildings.

Therefore, the Group evaluated based on terms and conditions of the arrangement, whether the land and the buildings were clearly operating leases or finance leases. The Group assessed the following:

(i) The land titles do not pass to the lessee, and

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Judgements made in applying accounting policies (Cont'd)

(b) Operating lease commitments – Group as lessor (Cont'd)

Therefore, the Group evaluated based on terms and conditions of the arrangement, whether the land and the buildings were clearly operating leases or finance leases. The Group assessed the following (Cont'd):

(ii) The rentals paid to the Group for the commercial properties are increased to the market rent at regular intervals, and the lessee does not participate in the residual value of the building.

Management judged that the Group retains all the significant risks and rewards of ownership of these properties, thus accounted for the contracts as operating leases.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

(a) 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 2017 is RM1,081,700 (2016: RM1,081,700). Further details are disclosed in Note 16.

(b) Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payment.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's loans and receivables at reporting date is disclosed in Note 20.

(c) Deferred tax assets

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.2 Key sources of estimation uncertainty (Cont'd)

(c) Deferred tax assets (Cont'd)

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

As at 31 December 2017, the carrying value of deferred tax assets of the Group was RM212,270 (2016: RM4,000). Unrecognised tax losses and unutilised capital allowance and other deductible temporary differences of the Group amounted to RM424,625 (2016: RM326,931). Further details are disclosed in Note 19.

(d) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group and the Company establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority.

(e) Write down of inventories

The Group reviews at each reporting date for excess inventory and obsolescence. Inventories are written down to reflect the current net realisable value, which represent the management's estimation of the value recoverable through sale. The carrying amount of the Group's inventories at reporting date is disclosed in Note 22.

(f) Share options

The Group measures the cost of equity-settled transactions with executives by reference to the fair value of the share options at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for the share options granted which is depending on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Further details are disclosed in Note 27.

4. REVENUE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Sale of pharmaceutical products	**620,182,806**	581,188,954	**-**	-
Rental income from investment properties	**81,191**	79,823	**-**	-
Dividend income from subsidiaries	**-**	-	**30,020,000**	30,020,000
Management service fees from subsidiaries	**-**	-	**3,282,572**	2,800,417
	620,263,997	581,268,777	**33,302,572**	32,820,417

5. COST OF SALES/SERVICES RENDERED

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Cost of goods sold on pharmaceutical products	**484,178,351**	452,685,557	**-**	-
Direct cost arising from investment properties that generated rental income	**248,076**	257,396	**-**	-
Cost relating to rendering of management services	**-**	-	**2,121,122**	1,808,255
	484,426,427	452,942,953	**2,121,122**	1,808,255

6. OTHER INCOME

Included in other income are the following:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Interest income on:				
- advances to subsidiaries	**-**	-	**507,980**	488,760
- loan to an associate and subsidiary of an associate	**475,205**	450,000	**475,205**	450,000
- short term deposits and investment	**1,776,580**	1,208,954	**263,892**	374,351
- long term investment	**212,323**	212,806	**212,323**	212,806
Rental receivable from operating leases, other than those relating to investment properties	**1,037,989**	1,011,531	**-**	-
Gain on disposal of property, plant and equipment	**442,215**	195,276	**-**	-
Fair value gain on derivative financial instruments	**15,075**	62,604	**-**	-
Gain on foreign exchange:				
- realised	**954,965**	433,734	**702**	117
- unrealised	**214,582**	1,427,099	**-**	363,325
Product development fee	**300,000**	337,312	**-**	-
Commission received	**206,613**	205,161	**-**	-
Insurance claims received	**11,855**	82,431	**-**	-

7. FINANCE COSTS

	Group	
	2017	**2016**
	RM	**RM**
Interest expense on:		
- bank overdrafts	**-**	18,914
- hire purchase obligation	**976**	1,534
	976	20,448

8. PROFIT BEFORE TAX

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration				
- statutory audit	**261,400**	258,585	**45,000**	42,000
- other services	**27,000**	25,000	**27,000**	25,000
Employee benefits expense (Note 9)	**61,498,429**	55,297,607	**1,522,872**	1,212,967
Directors' fees (Note 10)	**595,250**	591,250	**595,250**	591,250
Consulting fees paid to a director	**-**	67,869	**-**	67,869
Property, plant and equipment				
- depreciation (Note 14)	**9,132,044**	8,824,106	**113,393**	114,037
- written off	**327,362**	735,033	**6**	2,098
- loss on disposal	**-**	4,166	**-**	-
Depreciation of investment properties (Note 15)	**62,585**	58,440	**-**	-
Intangible assets				
- amortisation (Note 16)	**315,159**	196,693	**-**	-
- written off	**2,694**	9	**-**	-
Net fair value loss/(gain) on derivative financial instruments (Note 23)	**211,985**	(48,707)	**-**	-
Impairment of investment in an associate (Note 18)	**-**	4,164,424	**-**	2,300,402
Net foreign exchange loss/(gain)				
- realised	**36,656**	(357,549)	**67**	2,040
- unrealised	**(31,138)**	(398,719)	**-**	(363,325)
Operating lease:				
- minimum lease payments for office space (Note 30(b))	**1,659,041**	1,604,367	**621,495**	574,140
Research and development cost	**4,001,232**	2,612,348	**-**	-
Impairment loss on trade receivables (Note 20(a))	**625,237**	614,354	**-**	-
Bad debts written off	**-**	4,366	**-**	-
Reversal of impairment loss on trade receivables (Note 20(a))	**(363,021)**	(492,680)	**-**	-
Reversal of inventories written down (Note 22)	**(222,630)**	(171,383)	**-**	-
Inventories (written back)/written off (Note 22)	**(40,433)**	543,889	**-**	-
Inventories written down (Note 22)	**393,495**	487,555	**-**	-

9. EMPLOYEE BENEFITS EXPENSE

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Wages and salaries	**52,629,863**	47,642,107	**1,120,192**	808,767
Contributions to defined contribution plans	**6,904,094**	6,123,518	**202,121**	143,185
Social security contributions	**416,227**	375,490	**3,604**	2,881
Share options granted	**416,734**	96,238	**63,488**	14,502
Other benefits	**1,131,511**	1,060,254	**133,467**	243,632
	61,498,429	55,297,607	**1,522,872**	1,212,967

Included in employee benefits expense of the Group and of the Company are an executive director's remuneration other than director's fees and benefits-in-kind amounting to RM2,816,075 and RM187,489 (2016: RM2,611,614 and RM207,320) respectively, as further disclosed in Note 10.

10. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Company during the financial year are as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Directors:				
- fees (Note 8)	**595,250**	591,250	**595,250**	591,250
- salaries	**838,692**	780,510	**105,480**	105,480
- bonus	**1,877,937**	1,696,965	**58,268**	74,927
- defined contribution plans	**99,446**	134,139	**23,741**	26,913
Benefits-in-kind	**115,579**	187,057	**115,579**	150,881
	3,526,904	3,389,921	**898,318**	949,451
Other emoluments	**58,687**	155,322	**58,687**	155,322
Total directors' remuneration	**3,585,591**	3,545,243	**957,005**	1,104,773

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	**12,604,947**	11,153,297	**618,547**	526,797
- Foreign tax	**855,402**	720,540	**-**	-
- (Over)/under provision in respect of previous year	**(565,726)**	(155,964)	**42,439**	(31,741)
	12,894,623	11,717,873	**660,986**	495,056
Deferred tax (Note 19):				
- Relating to origination and reversal of temporary differences	**(1,301,757)**	(360,482)	**-**	-
- Over provision in respect of previous year	**(33,744)**	(51,586)	**-**	-
	(1,335,501)	(412,068)	**-**	-
Income tax expense recognised in profit or loss	**11,559,122**	11,305,805	**660,986**	495,056

11. INCOME TAX EXPENSE (Cont'd)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	2017 RM	2016 RM
Group		
Profit before tax	**56,046,831**	46,293,997
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	**13,451,239**	11,110,559
Different tax rates in other countries	**(628,183)**	(631,148)
Adjustments:		
Share of results of an associate	**(1,288,320)**	50,215
Income not subject to tax	**(170,375)**	(428,958)
Non-deductible expenses	**1,397,138**	1,767,249
Double deduction for tax purposes	**(313,660)**	(359,171)
Utilisation of current year's reinvestment allowances	**(312,694)**	-
Deferred tax assets not recognised in respect of deductible temporary differences	**23,447**	4,609
Over provision of income tax in respect of previous year	**(565,726)**	(155,964)
Over provision of deferred tax in respect of previous year	**(33,744)**	(51,586)
Income tax expense recognised in profit or loss	**11,559,122**	11,305,805
Company		
Profit before tax	**30,618,050**	28,480,920
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	**7,348,332**	6,835,421
Adjustments:		
Income not subject to tax	**(7,367,893)**	(7,618,731)
Non-deductible expenses	**638,108**	1,310,107
Under/(Over) provision of income tax in respect of previous year	**42,439**	(31,741)
Income tax expense recognised in profit or loss	**660,986**	495,056

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

11. INCOME TAX EXPENSE (Cont'd)

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

12. EARNINGS PER SHARE

(i) Basic

Basic earnings per share is calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2017	**2016**
Profit, net of tax attributable to owners of the parent (RM)	**44,458,641**	34,954,560
Weighted average number of ordinary shares in issue (units)	**117,146,093**	117,146,093
Basic earnings per share (sen)	**37.95**	29.84

(ii) Diluted

The diluted earnings per share is calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year after adjusted for the dilutive effects of share options granted to employees.

	Group	
	2017	**2016**
Profit, net of tax attributable to owners of the parent (RM)	**44,458,641**	34,954,560
Weighted average number of ordinary shares in issue (units)	**117,146,093**	117,146,093
Effect of dilution - Share options (units)	**156,879**	46,746
	117,302,972	117,192,839
Diluted earnings per share (sen)	**37.90**	29.83

There have been no other transactions involving ordinary shares or potential dilution of ordinary shares between the reporting date and the date of authorisation of these financial statements other than a new share option grant on 1 March 2018 as disclosed in Note 37.

13. DIVIDENDS

	Group/Company 2017 RM	Group/Company 2016 RM
In respect of financial year ended 31 December 2017:		
- Interim single-tier dividend of 5.5 sen per share on 117,146,093 ordinary shares	**6,443,032**	-
In respect of financial year ended 31 December 2016:		
- Final single-tier dividend of 6.0 sen per share on 117,146,093 ordinary shares	**7,028,766**	-
- Interim single-tier dividend of 5.5 sen per share on 117,146,093 ordinary shares	**-**	6,443,032
In respect of financial year ended 31 December 2015:		
- Final single-tier dividend of 6.0 sen per share on 117,146,093 ordinary shares	**-**	7,028,766
	13,471,798	13,471,798

At the forthcoming Annual General Meeting, a final single-tier dividend of 6.5 sen per share in respect of the financial year ended 31 December 2017, on 117,146,093 ordinary shares, amounting to a dividend payable of RM7,614,496 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 2018.

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings on freehold land RM	Leasehold land RM	Buildings on leasehold land* RM	Plant, machinery and factory equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation RM	Capital-in-progress RM	Total RM
At 31 December 2017										
Cost										
At 1 January 2017	8,418,400	8,487,576	7,824,600	54,491,800	56,977,535	36,897,442	4,512,878	450,776	5,217,868	183,278,875
Additions	-	-	-	496,646	1,269,482	2,097,173	1,943,287	14,800	28,249,122	34,070,510
Disposals	-	-	-	-	(7,530)	(2,890)	(1,325,175)	-	-	(1,335,595)
Transfers	-	-	-	-	1,019,806	195,751	-	-	(1,215,557)	-
Written off	-	-	-	(354,380)	(163,814)	(700,874)	-	-	-	(1,219,068)
At 31 December 2017	8,418,400	8,487,576	7,824,600	54,634,066	59,095,479	38,486,602	5,130,990	465,576	32,251,433	214,794,722
Accumulated depreciation										
At 1 January 2017	-	1,843,953	642,960	6,392,761	40,893,633	29,379,371	3,086,726	198,182	-	82,437,586
Depreciation charge for the year (Note 8)	-	154,931	89,644	1,168,173	4,250,136	2,659,819	761,592	47,749	-	9,132,044
Disposals	-	-	-	-	(7,528)	(2,887)	(979,708)	-	-	(990,123)
Written off	-	-	-	(141,582)	(163,805)	(586,319)	-	-	-	(891,706)
Exchange differences	-	-	-	133,141	-	-	-	-	-	133,141
At 31 December 2017	-	1,998,884	732,604	7,552,493	44,972,436	31,449,984	2,868,610	245,931	-	89,820,942
Net carrying amount										
At 31 December 2017	8,418,400	6,488,692	7,091,996	47,081,573	14,123,043	7,036,618	2,262,380	219,645	32,251,433	124,973,780

* RM31,588,520 (2016: RM32,503,330) of the net carrying amount of buildings on leasehold land is ascribable to land held on short lease being a lease with an unexpired period of less than fifty years.

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

Group	Freehold land RM	Buildings on freehold land RM	Leasehold land RM	Buildings on leasehold land* RM	Plant, machinery and factory equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation RM	Capital-in-progress RM	Total RM
At 31 December 2016										
Cost										
At 1 January 2016	8,418,400	8,487,576	7,824,600	53,971,287	53,445,145	34,434,379	4,888,359	450,776	2,375,749	174,296,271
Additions	-	-	-	165,850	747,193	1,437,393	316,045	-	6,643,711	9,310,192
Disposals	-	-	-	-	-	(16,132)	(696,402)	-	-	(712,534)
Transfers	-	-	-	-	2,815,942	985,650	-	-	(3,801,592)	-
Written off	-	-	-	(786,907)	(30,745)	(168,242)	-	-	-	(985,894)
Exchange differences	-	-	-	1,141,570	-	224,394	4,876	-	-	1,370,840
At 31 December 2016	8,418,400	8,487,576	7,824,600	54,491,800	56,977,535	36,897,442	4,512,878	450,776	5,217,868	183,278,875
Accumulated depreciation										
At 1 January 2016	-	1,689,022	553,316	5,064,643	36,880,823	26,805,501	3,001,507	150,433	-	74,145,245
Depreciation charge for the year (Note 8)	-	154,931	89,644	1,182,156	4,041,699	2,578,546	729,381	47,749	-	8,824,106
Disposals	-	-	-	-	-	(11,494)	(648,282)	-	-	(659,776)
Written off	-	-	-	(55,879)	(28,889)	(166,093)	-	-	-	(250,861)
Exchange differences	-	-	-	201,841	-	172,911	4,120	-	-	378,872
At 31 December 2016	-	1,843,953	642,960	6,392,761	40,893,633	29,379,371	3,086,726	198,182	-	82,437,586
Net carrying amount										
At 31 December 2016	8,418,400	6,643,623	7,181,640	48,099,039	16,083,902	7,518,071	1,426,152	252,594	5,217,868	100,841,289

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

	Furniture, fittings and equipment RM
Company	
Cost	
At 1 January 2016	851,996
Additions	30,819
Written off	(20,470)
At 31 December 2016	862,345
Additions	10,406
Written off	(8,972)
At 31 December 2017	863,779
Accumulated depreciation	
At 1 January 2016	405,903
Depreciation charge for the year (Note 8)	114,037
Written off	(18,372)
At 31 December 2016	501,568
Depreciation charge for the year (Note 8)	113,393
Written off	(8,966)
At 31 December 2017	605,995
Net carrying amount	
At 31 December 2017	257,784
At 31 December 2016	360,777

(a) Acquisitions of property, plant and equipment were financed as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash	**34,070,510**	9,310,192	**10,406**	30,819

(b) The carrying amount for furniture, fittings and equipment held under financial leases at the reporting date were RM6,522 (2016: RM22,825).

15. INVESTMENT PROPERTIES

	Investment properties RM	Investment properties under construction RM	Total RM
Group			
Cost			
At 1 January 2016	7,229,288	-	7,229,288
Additions	-	860,323	860,323
Exchange differences	196,187	-	196,187
At 31 December 2016	7,425,475	860,323	8,285,798
Additions	-	2,735,479	2,735,479
At 31 December 2017	7,425,475	3,595,802	11,021,277
Accumulated depreciation			
At 1 January 2016	816,756	-	816,756
Depreciation (Note 8)	58,440	-	58,440
Exchange differences	27,377	-	27,377
At 31 December 2016	902,573	-	902,573
Depreciation (Note 8)	62,585	-	62,585
Exchange differences	7,632	-	7,632
At 31 December 2017	972,790	-	972,790
Net carrying amount			
At 31 December 2017	6,452,685	3,595,802	10,048,487
At 31 December 2016	6,522,902	860,323	7,383,225

Investment properties under construction relates to the purchase of six (6) freehold strata office suites comprising the entire Level 10 of Corporate Tower 2 in the newly launched mixed development, Pavilion Damansara Heights, for a total consideration RM9.1 million. A 10% deposit, nett of prompt payment discount, was paid upon signing of the sales and purchase agreements ("SPAs") on 19 July 2016 and vacant possession is expected to be delivered within forty eight (48) months from the date of the SPAs.

Investment properties of the Group are measured at cost less accumulated depreciation and any accumulated impairment loss. The management undertakes annual valuation on the investment properties to assess whether there is any indication of impairment.

The fair value measurement of the properties as at 31 December 2017 are carried out by C H Williams Talhar & Wong Sdn. Bhd. and Knight Frank and are determined primarily using comparison methods.

15. INVESTMENT PROPERTIES (Cont'd)

The fair value measurement using comparison method draws reference to transactions of similar properties in surrounding with adjustments made for differences in location, terrain, size and shape of the land, tenure, title restrictions, if any and other relevant characteristics.

The Group's investment properties with a carrying amount of RM5,375,077 (2016: RM5,422,408) are mortgaged to secure the Group's undrawn banking facilities.

Fair value measurement hierarchy for investment properties is as follows:

	Valuation method	Date of valuation	Fair value measurement using significant unobservable inputs (Level 3) RM
As at 31 December 2017			
Commercial properties	Comparison method	30 December 2017	1,650,000
Warehouse	Comparison method	15 January 2018	12,090,000
As at 31 December 2016			
Commercial properties	Comparison method	30 December 2016	1,650,000
Warehouse	Comparison method	17 January 2017	12,090,000

16. INTANGIBLE ASSETS

	Trademark RM	Computer software RM	Total RM
Group			
Cost			
At 1 January 2016	1,080,400	3,112,739	4,193,139
Additions	-	480,530	480,530
Written off	-	(182,942)	(182,942)
Exchange differences	1,300	17,319	18,619
At 31 December 2016	1,081,700	3,427,646	4,509,346
Additions	-	266,455	266,455
Written off	-	(51,598)	(51,598)
At 31 December 2017	1,081,700	3,642,503	4,724,203

16. INTANGIBLE ASSETS (Cont'd)

	Trademark RM	Computer software RM	Total RM
Accumulated amortisation			
At 1 January 2016	-	2,456,497	2,456,497
Amortisation (Note 8)	-	196,693	196,693
Written off	-	(182,933)	(182,933)
Exchange differences	-	17,243	17,243
At 31 December 2016	-	2,487,500	2,487,500
Amortisation (Note 8)	-	315,159	315,159
Written off	-	(48,904)	(48,904)
At 31 December 2017	-	2,753,755	2,753,755
Net carrying amount			
At 31 December 2017	1,081,700	888,748	1,970,448
At 31 December 2016	1,081,700	940,146	2,021,846

Impairment testing of trademark

The intangible asset relating to trademark arose as a result of the acquisition of a subsidiary, Apex Pharma Marketing Pte. Ltd. ("APS") in prior years, 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 management as at 31 December 2005. APS operates in Singapore and its principal activity is as disclosed in Note 17. The management undertakes impairment review of the trademark with indefinite useful life annually or more frequently if events or changes in circumstances indicate a potential impairment.

Key assumptions used in value-in-use calculations

The recoverable amount of the cash generating unit ("CGU") is determined based on value-in-use calculations using the royalty relief method. This method discounts to present value the estimated future royalties that would be payable for its use were it owned by a third party net of direct expenses necessarily incurred in connection with the trademark. The estimated future royalties have been derived based on projected revenue arising from sale of products marketed under the trademark approved by management covering a five-year period. The key assumptions used for value-in-use calculations are:

	2017 %	2016 %
Royalties rate		
- Local market	**10.0**	10.0
- Foreign market	**2.0**	2.0
Growth rate	**3.0**	3.0
Discount rate	**11.0**	11.0

16. INTANGIBLE ASSETS (Cont'd)

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

(i) Royalties rate

The royalty rate is based on a range for each application of the brand by reviewing comparable licensing agreements and industry royalty rates.

(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 discounted 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 CGU to materially exceed its recoverable amount.

17. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM	**2017 RM**
Unquoted shares, at cost	**56,377,940**	56,377,940

Details of the Group's subsidiaries are as follows:

Name of companies	Country of incorporation	Principal activities	% of ownership interest held by the Group*		% of ownership interest held by non-controlling interest	
			2017 %	**2016 %**	**2017 %**	**2016 %**
Held by the Company:						
Xepa-Soul Pattinson (Malaysia) Sdn Bhd. [a,c]	Malaysia	Manufacturing and marketing of pharmaceutical products	**100**	100	**-**	-
Apex Pharmacy Marketing Sdn. Bhd. [a,c]	Malaysia	Marketing and distribution of pharmaceutical products	**100**	100	**-**	-
ABio Marketing Sdn. Bhd. [a,c]	Malaysia	Marketing and distribution of healthcare products	**100**	100	**-**	-

17. INVESTMENT IN SUBSIDIARIES (Cont'd)

Name of companies	Country of incorporation	Principal activities	% of ownership interest held by the Group*		% of ownership interest held by non-controlling interest	
			2017 %	2016 %	2017 %	2016 %
Held by the Company (Cont'd):						
Apex Retail Sdn. Bhd. [a]	Malaysia	Retailing of pharmaceutical products, property rental and management, and provision of accounting services	**100**	100	**-**	-
Apex Pharmacy Corporate Sdn. Bhd. [a]	Malaysia	Dormant	**100**	100	**-**	-
Apex Pharma Marketing Pte. Ltd. [b]	Singapore	Marketing and distribution of pharmaceutical products	**100**	100	**-**	-
Avex Pharmaceuticals Pte. Ltd. [b]	Singapore	Brands management and development of pharmaceutical and healthcare products	**100**	100	**-**	-
First SGC Pte. Ltd. [b]	Singapore	Investment holding	**100**	100	**-**	-
Held through Xepa-Soul Pattinson (Malaysia) Sdn. Bhd.:						
Xepa-Soul Pattinson (S) Pte. Ltd. [b]	Singapore	Marketing and distribution of pharmaceutical products	**100**	100	**-**	-
Held through Apex Retail Sdn. Bhd.:						
CS Health Store Sdn. Bhd. [a]	Malaysia	Retailing of pharmaceutical products	**60**	60	**40**	40

a Audited by Ernst & Young, Malaysia
b Audited by member firm of Ernst & Young Global in the Republic of Singapore
c Consolidated using merger accounting
* Equals to the proportion of voting rights held

The non-controlling interest in respect of CS Health Store Sdn. Bhd. is not material to the Group.

18. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unquoted shares, at cost	**6,976,000**	6,976,000	**6,976,000**	6,976,000
Share of post-acquisition reserves of the joint venture prior to becoming an associate	**(694,552)**	(694,552)	**-**	-
Share of post-acquisition reserves	**8,357,196**	2,989,196	**-**	-
Fair value adjustments on interest free loan	**-**	-	**430,622**	430,622
Accumulated impairment loss	**(4,164,424)**	(4,164,424)	**(2,300,402)**	(2,300,402)
	10,474,220	5,106,220	**5,106,220**	5,106,220

In the prior year, the gross carrying amounts of the investment in an associate of the Group and of the Company before impairment were RM9,270,644 and RM7,406,622 respectively. The carrying amounts were significantly higher than the share of net assets of the associate, which gave rise to an indication of impairment. Arising from the impairment assessment, the Group and the Company recognised an impairment loss of RM4,164,424 and RM2,300,402 respectively against the carrying amount of the investment as disclosed in Note 8.

The investment in an associate is continuously tested for impairment by comparing the carrying amount of the investment against its recoverable amount, which is based on value-in-use. The value-in-use is determined by discounting future cash flows over a period of five years including a terminal value. The future cash flows are based on the associate's future business plan, which is the best estimate of immediate future performance. Various assumptions are used in estimating future cash flows particularly in respect of budgeted revenue growth and rates, profit margin, future market and economic challenges arising from uncertain global trade policies. The discount rate used is 11% and this discount rate reflects specific risks relating to the associate.

(a) Details of the Group's associate are as follows:

Name of company	Country of incorporation	% of ownership interest held by the Group*		Accounting model applied
		2017 %	2016 %	
Straits Apex Sdn. Bhd. #	Malaysia	**40**	40	Equity method
Subsidiaries of Straits Apex Sdn. Bhd.				
ABio Orthopaedics Sdn. Bhd. #	Malaysia	**40**	40	Equity method
Straits Orthopaedics (Mfg) Sdn. Bhd. #	Malaysia	**40**	35	Equity method

* Equals to the proportion of voting rights held
\# Audited by a firm other than Ernst & Young

18. INVESTMENT IN AN ASSOCIATE (Cont'd)

(a) Details of the Group's associate are as follows (Cont'd):

Straits Apex and its subsidiaries are collectively referred to as SA Group. The associate has the same reporting period as the Group. No quoted market prices are available for the shares of Straits Apex as the company is a private limited company. Straits Apex is an investment holding company.

ABio Orthopaedics Sdn. Bhd. is currently a sub-contractor of Straits Orthopaedics (Mfg) Sdn. Bhd. performing orthopaedics subcontracting works primarily in the areas of trauma, instrumentation and spine.

(b) Summarised financial information of SA Group is set out below. The summarised information represents the amounts in the financial statements of the associate and not the Group's share of the amounts.

(i) Summarised consolidated statement of financial position

	2017 RM	2016 RM
Non-current asset	**47,543,747**	41,035,356
Current assets	**31,795,974**	25,250,804
Total assets	**79,339,721**	66,286,160
Non-current liabilities	**16,546,973**	13,278,118
Current liabilities	**36,607,196**	39,375,313
Total liabilities	**53,154,169**	52,653,431
Net assets	**26,185,552**	13,632,729
Equity attributable to:		
Owners of the associated company	**26,185,552**	12,765,552
Non-controlling interest of the associated company	**-**	867,177
	26,185,552	13,632,729

(ii) Summarised consolidated statement of comprehensive income

	2017 RM	2016 RM
Revenue	**83,064,649**	82,253,051
Profit before tax	**15,913,317**	13,659,113
Profit after tax, representing total comprehensive income	**13,640,095**	10,762,283
Profit attributable to:		
Owners of the parent	**13,420,000**	9,887,993
Non-controlling interest	**220,095**	874,290
	13,640,095	10,762,283

18. INVESTMENT IN AN ASSOCIATE (Cont'd)

(c) Reconciliation of the summarised consolidated financial information presented above to the carrying amount of the Group's interest in associate

	2017 RM	2016 RM
Net assets at 1 January	**12,765,552**	2,877,559
Profit for the year, net of tax	**13,420,000**	9,887,993
Net assets at 31 December	**26,185,552**	12,765,552
Interest in associate as at year end	**40%**	40%
	10,474,220	5,106,220
Effect of former joint venture becoming an associate	**3,233,364**	3,233,364
Goodwill	**931,060**	931,060
Less: Accumulated impairment loss	**(4,164,424)**	(4,164,424)
Carrying value of Group's interest in associate	**10,474,220**	5,106,220

19. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	As at 1 January 2016 RM	Recognised in profit or loss (Note 11) RM	Exchange differences RM	As at 31 December 2016 RM	Recognised in profit or loss (Note 11) RM	As at 31 December 2017 RM
Group						
Deferred tax liability:						
Property, plant and equipment	5,441,376	29,206	662	5,471,244	(853,650)	4,617,594
Deferred tax asset:						
Others*	(843,434)	(441,274)	-	(1,284,708)	(481,851)	(1,766,559)
	4,597,942	(412,068)	662	4,186,536	(1,335,501)	2,851,035

* Consists of provision for inventories written down and impairment loss on trade receivables.

19. DEFERRED TAX (Cont'd)

Presented after appropriate offsetting as follows:

	Group	
	2017	**2016**
	RM	**RM**
Deferred tax asset	**(212,270)**	(4,000)
Deferred tax liability	**3,063,305**	4,190,536
	2,851,035	4,186,536

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 13).

Deferred tax assets not recognised

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

	Group	
	2017	**2016**
	RM	**RM**
Unutilised tax losses	**281,533**	229,538
Unabsorbed capital allowances	**143,092**	97,393
	424,625	326,931

At the reporting date, the Group has unutilised tax losses and unabsorbed capital allowance of approximately RM281,533 (2016: RM229,538) and RM143,092 (2016: RM97,393) respectively that are available for offset against future taxable profits of the companies in which the losses and capital allowances arose, for which no deferred tax asset is recognised due to uncertainty of their recoverability. The availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other jurisdictions is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

20. TRADE AND OTHER RECEIVABLES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current				
Trade receivables				
Third parties	**134,237,272**	134,623,799	**-**	-
Less: Allowance for impairment	**(1,852,292)**	(1,738,496)	**-**	-
Trade receivables, net	**132,384,980**	132,885,303	**-**	-
Other receivables				
Amounts due from an associate				
- non-interest bearing	**319,560**	555,854	**319,560**	555,854
Amounts due from subsidiaries				
- interest bearing	**-**	-	**2,175,000**	2,175,000
- non-interest bearing	**-**	-	**99,631,025**	78,546,298
Deposits	**683,946**	1,258,633	**4,000**	4,670
Sundry receivables	**5,933,589**	4,127,167	**17,973**	26,073
	6,937,095	5,941,654	**102,147,558**	81,307,895
	139,322,075	138,826,957	**102,147,558**	81,307,895
Non-current				
Other receivables				
Loan to an associate	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Loan to a subsidiary of an associate	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Amounts due from subsidiaries				
- interest bearing	**-**	-	**10,524,500**	10,524,500
	10,000,000	10,000,000	**20,524,500**	20,524,500
Total trade and other receivables	**149,322,075**	148,826,957	**122,672,058**	101,832,395
Add: Short term deposits and investment and cash and bank balances (Note 24)	**80,903,225**	82,034,753	**7,639,037**	11,013,124
Add: Long term investment (Note 21)	**5,520,000**	5,520,000	**5,520,000**	5,520,000
Total loans and receivables	**235,745,300**	236,381,710	**135,831,095**	118,365,519

20. TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2016: 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The currency exposure profile of trade receivables is as follows:

	Group 2017 RM	Group 2016 RM
Ringgit Malaysia ("RM")	**102,069,229**	98,053,812
Singapore Dollar ("SGD")	**26,910,928**	29,529,974
United States Dollar ("USD")	**2,662,821**	4,865,112
Others	**742,002**	436,405
	132,384,980	132,885,303

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group 2017 RM	Group 2016 RM
Neither past due nor impaired	**116,579,656**	114,233,401
1 to 30 days past due not impaired	**11,049,414**	10,089,722
31 to 60 days past due not impaired	**1,175,860**	2,362,013
61 to 90 days past due not impaired	**972,672**	1,602,623
More than 90 days past due not impaired	**2,607,378**	4,597,544
	15,805,324	18,651,902
Impaired	**1,852,292**	1,738,496
	134,237,272	134,623,799

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired relates to customers with good track record with the Group. Based on past experience, the Board believes that no allowance for impairment is necessary in respect of those balances.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

20. TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Trade receivables (Cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM15,805,324 (2016: RM18,651,902) that are past due at the reporting date but not impaired.

Receivables that are past due but not impaired relate to customers that the Group still deems to be creditworthy. Based on the past experience, the Board believes that no allowance of impairment is necessary in respect of those balances.

The receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2017	**2016**
	RM	**RM**
Trade receivables - nominal amounts	**1,852,292**	1,738,496
Less: Allowance for impairment	**(1,852,292)**	(1,738,496)
	-	-

Movement in allowance for impairment accounts:

	Group	
	2017	**2016**
	RM	**RM**
At beginning of financial year	**1,738,496**	1,779,164
Charge for the year (Note 8)	**625,237**	614,354
Written off	**(148,420)**	(167,472)
Reversal of impairment losses (Note 8)	**(363,021)**	(492,680)
Exchange differences	**-**	5,130
At end of financial year	**1,852,292**	1,738,496

20. TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Trade receivables (Cont'd)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured and are repayable on demand except for an amount of RM10,524,500 (2016: RM10,524,500) which is expected to be repaid in more than 12 months. The weighted average effective interest rate for amounts due from subsidiaries which are interest bearing at reporting date is 4.00% (2016: 4.00%) per annum.

(c) Other receivables

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or group of debtors.

(d) Loan to an associate

The loan of RM5,000,000 is an unsecured interest bearing loan. The loan had an interest free period from the date the loan was given until 28 September 2015. Thereafter, the loan bears interest at 4.5% per annum and was revised to 5.5% per annum from October 2017.

(e) Loan to a subsidiary of an associate

The loan of RM5,000,000 is an unsecured interest bearing loan. The loan had an interest free period from the date the loan was given until 28 February 2014. Thereafter, the loan bears interest at 4.5% per annum and was revised to 5.5% per annum from October 2017.

21. LONG TERM INVESTMENT

	Group/Company	
	2017	**2016**
	RM	**RM**
Non-current		
Long term deposit with a licensed bank	**-**	5,520,000
Current		
Long term deposit with a licensed bank	**5,520,000**	-

The long term deposit with a licensed bank of RM5,520,000 is pledged against a term loan entered into by a subsidiary of an associate, ABio Orthopaedics Sdn. Bhd., with a maturity period of 5 years effective from 25 May 2013.

21. LONG TERM INVESTMENT (Cont'd)

The long term deposit earns dividends based on the concept of profit-sharing, whereby the profit earned from the investment by way of dividends fixed at 7.63% will be shared between the Group/Company and the bank according to the predetermined mutually agreed profit sharing ratio established at 50.46 : 49.54 respectively. Dividends are received by the Group/Company at a 6-month interval.

22. INVENTORIES

	Group 2017 RM	Group 2016 RM
Cost		
Raw materials	**10,565,577**	5,854,945
Work-in-progress	**898,855**	567,725
Finished goods	**7,918,754**	8,793,451
Pharmaceutical products held for resale	**49,634,629**	50,561,478
	69,017,815	65,777,599

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM450,373,578 (2016: RM424,185,759).

The Group has recorded a charge to profit or loss pertaining to inventories written down of RM393,495 (2016: RM487,555) and inventories written back of RM40,433 (2016: written off of RM543,889) (Note 8) respectively. A reversal of write-down of inventories of the Group amounting to RM222,630 (2016: RM171,383) (Note 8) was also made during the current financial year.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional amount RM	(Liabilities)/ Assets RM
Group		
As at 31 December 2017		
Non-hedging derivatives:		
Forward currency contracts		
- in respect of sales transactions	**6,122,146**	(128,081)
- in respect of purchases transactions	**(1,231,586)**	17,154
		(110,927)

23. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

	Contract/ Notional amount RM	(Liabilities)/ Assets RM
Group		
As at 31 December 2016		
Non-hedging derivatives:		
Forward currency contracts		
- in respect of sales transactions	**4,525,286**	98,978
- in respect of purchases transactions	**(165,342)**	2,080
		101,058

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales and purchase denominated in SGD for which firm commitment existed at the reporting date, extending to January 2018 (2016: January 2017) for its purchases and May 2018 (2016: May 2017) for its sales.

During the financial year, the Group recognised a net loss of RM211,985 (2016: net gain of RM48,707) (note 8) arising from fair value changes of derivative instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 33.

24. SHORT TERM DEPOSITS AND INVESTMENT AND CASH AND BANK BALANCES

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Short term deposits and investment with:				
Licensed finance company	**5,994,671**	10,222,679	**5,994,671**	10,222,679
Licensed banks	**22,978,472**	37,657,668	**-**	-
Total short term deposits and investment	**28,973,143**	47,880,347	**5,994,671**	10,222,679
Cash at banks and on hand	**51,930,082**	34,154,406	**1,644,366**	790,445
Total short term deposits and investment and cash and bank balances (Note 20)	**80,903,225**	82,034,753	**7,639,037**	11,013,124

24. SHORT TERM DEPOSITS AND INVESTMENT AND CASH AND BANK BALANCES (Cont'd)

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between 1 to 20 days (2016: 1 to 20 days) depending on the immediate cash requirements of the Group and of the Company, and earn interest rates at the respective short-term deposit rates.

Included in the short term deposits and investment of the Group and of the Company is RM5,994,671 (2016: RM10,222,679) placed with money market fund held for investment purposes and does not form part of cash and cash equivalents.

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

	Group		Company	
	2017	2016	2017	2016
Weighted average interest rate (%)	**2.44**	2.44	**3.53**	3.50
Average maturity days	**29**	18	**1**	1

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short term deposits with licensed banks	**22,978,472**	37,657,668	**-**	-
Cash and bank balances	**51,930,082**	34,154,406	**1,644,366**	790,445
Cash and cash equivalents	**74,908,554**	71,812,074	**1,644,366**	790,445

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current				
Trade payables				
Third parties	**76,329,473**	80,076,341	**-**	-
Other payables				
Amount due to a subsidiary	**-**	-	**1,649,386**	1,650,241
Other payables	**10,949,423**	5,950,353	**85,967**	58,408
Other accruals	**19,265,783**	13,851,512	**1,406,597**	905,146
	30,215,206	19,801,865	**3,141,950**	2,613,795

25. TRADE AND OTHER PAYABLES (Cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total trade and other payables	**106,544,679**	99,878,206	**3,141,950**	2,613,795
Add: Hire purchase payable (Note 26)	**6,820**	24,955	**-**	-
Total financial liabilities carried at amortised cost	**106,551,499**	99,903,161	**3,141,950**	2,613,795

The currency profile of the Group's and of the Company's payables is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	**70,600,572**	66,265,762	**3,141,950**	2,613,795
Singapore Dollar	**31,470,166**	28,343,060	**-**	-
United States Dollar	**1,656,818**	4,413,888	**-**	-
Euro	**2,645,997**	786,219	**-**	-
Others	**171,126**	69,277	**-**	-
	106,544,679	99,878,206	**3,141,950**	2,613,795

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 120 days (2016: 30 to 120 days).

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 90 days (2016: 90 days).

(c) Amounts due to a subsidiary

The amount is unsecured, non-interest bearing and is repayable on demand.

26. HIRE PURCHASE PAYABLE

The Group has finance leases for certain items of plant and equipment (Note 14).

The commitment terms under the hire purchase payable are summarised as follows:

	Group	
	2017	**2016**
	RM	**RM**
Minimum lease payments:		
Not later than 1 year	**6,820**	14,627
Later than 1 year but not later than 2 years	**-**	13,406
Total minimum lease payments	**6,820**	28,033
Less: Amounts representing finance charges	**-**	(3,078)
Present value of minimum lease payments	**6,820**	24,955
Present value of hire purchase payable (Note 25):		
Not later than 1 year	**6,820**	13,020
Later than 1 year but not later than 2 years	**-**	11,935
Present value of minimum lease payments	**6,820**	24,955
Less: Amount due within 12 months	**(6,820)**	(13,020)
Amount due after 12 months	**-**	11,935

The hire purchase of the Group attracts interest rates of 2.82% (2016: 2.82%) per annum.

27. SHARE CAPITAL

	Group/Company Number of ordinary shares		Amount	
	2017	**2016**	**2017**	**2016**
	Units	**Units**	**RM**	**RM**
Authorised				
At beginning/end of financial year	**-***	200,000,000	**-***	200,000,000
Issued and fully paid				
At beginning/end of financial year	**117,146,093**	117,146,093	**117,146,093**	117,146,093

27. SHARE CAPITAL (Cont'd)

The holder 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 regards to the Company's residual assets.

* The Companies Act 2016 which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

At an extraordinary general meeting held on 18 May 2016, the Company's shareholders approved establishment of an Executive Share Option Scheme ("ESOS") which is governed by the By-Laws.

The salient features of the ESOS are as follows:

(a) The maximum number of new shares of the Company, which may be available under the scheme, shall not exceed in aggregate 10% of the total number of issued shares of the Company at any point in time during the existence of the ESOS;

(b) An executive employee of the Group shall be eligible to participate in the ESOS if, as at the date of the ESOS offer, such executive employee:

   (i) has attained the age of at least eighteen (18) years and is not an undischarged bankrupt;

   (ii) is in the employment of any corporation within the Group and/or its subsidiaries, which are not dormant, who has been confirmed in service and has not served a notice to resign nor received a notice of termination;

   (iii) is an executive director, is appointed and remains appointed as an executive director of the Group and/or its subsidiaries, which are not dormant; and/or

   (iv) is under such categories and criteria that the ESOS Committee may from time to time decide at its discretion.

   In the case of a director or a chief executive or a major shareholder of the Company and/or persons connected to them, their specific allotments under the ESOS shall be approved by the shareholders of the Company in a general meeting.

   It is the intention of the Company that only the executive director(s) of the Company shall be eligible to participate in the ESOS and all the non-executive directors of the Company shall not be entitled to participate in the ESOS.

(c) The ESOS shall be in force for a period of five (5) years from 1 July 2016 and may be extended by the Board at its absolute discretion, without having to obtain approval from the Company's shareholders, for a further period of up to five (5) years, but will not in aggregate exceed ten (10) years from 1 July 2016 or such longer period as may be allowed by the relevant authorities;

(d) The option price may be subjected to a discount of not more than 10% of the average of the market quotation of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) trading days immediately preceding the offer date, or at par value of the shares of the Company, whichever is higher;

27. SHARE CAPITAL (Cont'd)

The salient features of the ESOS are as follows (Cont'd):

(e) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new shares of the Company comprised in the ESOS; and

(f) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, except that new ordinary shares allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new shares.

(g) The option granted to eligible employees will lapse when they are no longer in employment with the Group.

The option prices and the details in the movement of the options granted are as follows:

Grand date	**Exercisable date**	**Expiry date**	**Exercise price RM**	**Balance at 1.1.2017**	**Granted**	**Lapsed**	**Balance at 31.12.2017**
1.9.2016	1.9.2018	30.6.2021	3.36	**730.000**	-	(30,000)	**700,000**
1.9.2017	1.9.2019	30.6.2021	4.35	**-**	775,000	(5,000)	**770,000**
				730,000	775,000	(35,000)	**1,470,000**

During the financial year, the Company has granted 775,000 share options (with a vesting period of 2 years from 1 September 2017 to 31 August 2019). Unless otherwise extended by the Board, the date of expiration of these ESOS shall be 30 June 2021. The options which have lapsed during the financial year were due to resignation of employees.

The fair value of ESOS granted during the financial year was estimated using the Binomial Option Pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	1 September 2017	**1 September 2016**
Fair value of ESOS at grant date (RM)	**1.094**	0.791
Weighted average share price (RM)	**4.75**	3.75
Exercise price (RM)	**4.35**	3.36
Expected volatility (%)	**24%**	20%
Expected life (years)	**4**	5
Risk free rate (%)	**3.73%**	3.46%
Expected dividend yield (%)	**2.39%**	2.90%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of the option was incorporated into the measurement of fair value.

28. OTHER RESERVES

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Share option reserve	(a)	**509,017**	96,238	**509,017**	96,238
Foreign currency translation reserve	(b)	**13,146,869**	13,287,643	**-**	-
		13,655,886	13,383,881	**509,017**	96,238

(a) Share option reserve

	Group/Company 2017 RM	Group/Company 2016 RM
Share options under ESOS:		
At 1 January	**96,238**	-
Movement during the year	**412,779**	96,238
At 31 December	**509,017**	96,238

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

(b) Foreign currency translation reserve

The foreign currency translation reserve represents 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.

29. RETAINED EARNINGS OF THE COMPANY

The Company may distribute dividends out of its entire retained earnings as at 31 December 2017 and 31 December 2016 under the single-tier system.

30. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Approved and contracted for:				
- Property, plant and equipment	**54,840,150**	38,032,042	**-**	-
Approved but not contracted for:				
- Property, plant and equipment	**17,332,510**	46,423,833	**23,000**	8,000
	72,172,660	84,455,875	**23,000**	8,000

(b) Operating lease commitments - as lessee

The Group and the Company have entered into commercial leases on certain office premises, with lease terms ranging from 2 to 3 (2016: 2 to 3) years respectively.

Minimum lease payments recognised in the Group's and the Company's profit or loss for the financial year amounted to RM1,659,041 (2016: RM1,604,367) and RM621,495 (2016: RM574,140) respectively (Note 8).

Future minimum lease payments under non-cancellable operating lease contracted as at reporting date are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Not later than 1 year	**948,087**	1,064,180	**621,495**	574,140
Later than 1 year and not later than 5 years	**368,450**	475,282	**-**	-
	1,316,537	1,539,462	**621,495**	574,140

31. FINANCIAL GUARANTEES

The Company has provided corporate guarantees to banks of RM13,672,751 (2016: RM8,977,356) for credit facilities granted to its subsidiaries.

As at the reporting date, no values were ascribed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries as these facilities are either not utilised or have been fully settled as at the reporting date.

31. FINANCIAL GUARANTEES (Cont'd)

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the guaranteed party were to default.

32. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Management service fees received from subsidiaries	**-**	-	**3,282,572**	2,800,417
Interest income on advances to subsidiaries	**-**	-	**507,980**	488,760
Dividend income received from subsidiaries	**-**	-	**30,020,000**	30,020,000
Interest income on advances to an associate	**475,205**	450,000	**475,205**	450,000
Consulting fees paid to a director	**-**	(67,869)	**-**	(67,869)
Rental expense paid to subsidiaries	**-**	-	**(621,495)**	(574,140)

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 is disclosed in Note 20 and Note 25.

32. RELATED PARTY TRANSACTIONS (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	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Short-term employment benefits	**9,262,904**	8,166,217	**1,610,209**	1,408,045
Defined contribution plans	**935,236**	821,320	**148,223**	91,952
Other benefits	**35,235**	54,211	**-**	19,668
	10,233,375	9,041,748	**1,758,432**	1,519,665

Included in the total key management personnel is:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Director's remuneration (Note 10)	**3,585,591**	3,545,243	**957,005**	1,104,773

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
At 31 December 2017				
Financial liabilities:				
Derivatives				
- Forward currency contracts	-	(110,927)	-	(110,927)
At 31 December 2016				
Financial asset:				
Derivatives				
- Forward currency contracts	-	101,058	-	101,058

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

(a) Fair value of financial instruments that are carried at fair value (Cont'd)

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

There have been no transfers between the fair value hierarchy during the financial years ended 2017 and 2016.

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

(b) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximate of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current and non-current)	20
Trade and other payables (current)	25
Hire purchase payable (current and non-current)	26

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's and the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and Singapore Dollar ("SGD"). The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD") and Euro ("EUR"). Foreign currency exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Approximately 2% (2016: 2%) of the Group's sales are denominated in foreign currencies other than the respective functional currencies of the Group's entities. The currency profiles for the Group's trade receivables and trade payables are disclosed at Note 20(a) and Note 25 respectively.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances which were denominated in currencies other than the functional currencies of the respective entities within the Group amount to RM1,838,329 (2016: RM2,290,815).

The Group requires all of its operating entities to use forward currency contracts to eliminate the currency exposures on any individual transactions in excess of RM50,000 for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations in the Republic of Singapore. The Group's net investments in Singapore are not hedged as currency positions in SGD are considered to be long-term in nature.

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

	Group	
	2017	**2016**
	RM	**RM**
Receivables		
United States Dollar	**2,662,821**	4,865,112
Singapore Dollar	**314,636**	1,867,136
Others	**742,005**	436,405
	3,719,462	7,168,653

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(a) Foreign currency risk (Cont'd)

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows (Cont'd):

	Group	
	2017	**2016**
	RM	**RM**
Payables		
United States Dollar	**(1,656,818)**	(4,413,888)
Singapore Dollar	**(2,255,598)**	(2,000,278)
Euro	**(2,645,997)**	(786,219)
Others	**(171,126)**	(69,277)
	(6,729,539)	(7,269,662)

Sensitivity analysis for foreign currency risk

The following tables demonstrate the sensitivity of the Group's profit net of tax to a reasonably possible change in the following foreign currencies:

		Profit, net of tax	
		2017	**2016**
		RM	**RM**
Group			
USD/RM	- strengthened 1% (2016: 2%)	**14,128**	9,290
SGD/RM	- strengthened 2.1% (2016: 0.4%)	**(39,876)**	(500)
EUR/RM	- strengthened 6% (2016: 4%)	**(146,639)**	(34,235)

The weakening of the currencies at a similar rate above will result in an equal but opposite effect to the Group's profit, net of tax.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loan to an associate, loan to a subsidiary of an associate, amounts due from subsidiaries, short term deposits and investment and long term investment. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(b) Interest rate risk (Cont'd)

At the reporting date, the interest rate profile of the interest-bearing financial instruments is as follows:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Fixed rate instruments				
- Financial assets	**10,000,000**	10,000,000	**22,699,500**	22,699,500
- Financial liabilities	**(6,820)**	(24,955)	**-**	-
Floating rate instrument				
- Financial assets	**34,493,143**	53,400,347	**11,514,671**	15,742,679

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not measure any fixed rate instruments at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for floating rate instrument

The directors have assessed that there are no reasonably possible change in interest rates that would result in a material impact to the financial results of the Group and of the Company.

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from sales made on deferred credit terms. For other financial assets (including cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group seeks to control credit risk by ensuring that sales of products are made to customers who have been subjected 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.

Exposure to credit risk

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(c) Credit risk (Cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2017		2016	
	RM	% of total	RM	% of total
By industry sectors				
Malaysia private sector	**97,838,127**	**74.00%**	94,711,268	71.27%
Malaysia government sector	**4,169,389**	**3.10%**	1,953,497	1.47%
Singapore private sector	**27,329,892**	**20.60%**	27,754,556	20.89%
Export market	**3,047,572**	**2.30%**	8,465,982	6.37%
	132,384,980	**100.00%**	132,885,303	100.00%

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

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 and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

Analysis of financial instruments by remaining contractual maturities

All financial liabilities of the Group and of the Company at the reporting date are repayable within one year.

35. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratios in order to support their business and maximise shareholders' value.

The Group and the Company manage their capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's and the Company's policy is to keep the gearing ratio to not more than 40%. The Group and the Company include within net debt, trade and other payables, hire purchase payable, less short term deposits and investment and cash and bank balances. Capital includes equity attributable to the owners of the parent.

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Trade and other payables	25	**106,544,679**	99,878,206	**3,141,950**	2,613,795
Hire purchase payable	26	**6,820**	24,955	**-**	-
Less: Short term deposits and investment	24	**(28,973,143)**	(47,880,347)	**(5,994,671)**	(10,222,679)
Less: Cash and bank balances	24	**(51,930,082)**	(34,154,406)	**(1,644,366)**	(790,445)
Net debt/(cash)		**25,648,274**	17,868,408	**(4,497,087)**	(8,399,329)
Equity attributable to the owners of the parent, representing total capital		**343,233,913**	311,971,110	**194,723,129**	177,825,084
Capital and net debt		**368,882,187**	329,839,518	**190,226,042**	169,425,755
Gearing ratio		**7%**	5%	*****	*

* Not applicable as the amount of net debt is negative.

The Group and its subsidiaries are not subject to any externally imposed capital requirements.

36. SEGMENT INFORMATION

For management purposes, the Group is organised into three main business units based on their products, and has three reportable operating segments as follows:

(i) Manufacturing and marketing of pharmaceutical products;

(ii) Wholesale and distribution of pharmaceutical and healthcare products; and

(iii) Corporate comprising investments in retail pharmacy business and properties and the provision of management services.

36. SEGMENT INFORMATION (Cont'd)

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

36. SEGMENT INFORMATION (Contd.)

	Manufacturing and marketing		Wholesale and distribution		Corporate		Adjustments and eliminations		Note	Per consolidated financial statements	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM		2017 RM	2016 RM
Revenue											
External revenue	**30,501,649**	25,446,495	**580,225,901**	547,149,371	**9,536,447**	8,672,911	**-**	-		**620,263,997**	581,268,777
Inter-segment revenue	**100,145,067**	86,218,769	**758,207**	702,739	**33,843,288**	35,432,273	**(134,746,562)**	(122,353,781)	A	**-**	-
Total revenue	**130,646,716**	111,665,264	**580,984,108**	547,852,110	**43,379,735**	44,105,184	**(134,746,562)**	(122,353,781)		**620,263,997**	581,268,777
Results											
Interest income	**1,461,593**	795,839	**650**	7,254	**1,001,865**	1,068,667	**-**	-		**2,464,108**	1,871,760
Interest expense	**-**	-	**(1,534,059)**	(1,483,530)	**(87,000)**	(87,000)	**1,620,083**	1,550,082		**(976)**	(20,448)
Depreciation and amortisation	**(6,587,410)**	(6,338,372)	**(2,690,044)**	(2,468,373)	**(293,649)**	(311,316)	**61,316**	38,822		**(9,509,787)**	(9,079,239)
Impairment loss on investment in an associate	**-**	-	**-**	-	**-**	(4,164,424)	**-**	-		**-**	(4,164,424)
Share of results of an associate	**-**	-	**-**	-	**5,368,000**	3,955,196	**-**	-		**5,368,000**	3,955,196
Other non-cash (expenses)/gains	**(13,200)**	(613,744)	**(351,161)**	(576,966)	**(513,709)**	351,365	**-**	(339,500)	B	**(878,070)**	(1,178,845)
Segment profit/(loss)	**36,740,610**	31,669,868	**19,108,384**	19,061,016	**2,222,380**	(2,296,181)	**(2,024,543)**	(2,140,706)	C	**56,046,831**	46,293,997
Assets and liabilities											
Investment in an associate	-	-	-	-	**10,474,220**	5,106,220	**-**	-		**10,474,220**	5,106,220
Additions to non-current assets	**33,420,392**	7,844,146	**691,746**	1,745,674	**2,960,306**	1,061,225	**-**	-	D	**37,072,444**	10,651,045
Segment assets	**134,099,919**	109,796,230	**277,793,660**	268,474,290	**54,013,078**	48,461,111	**(9,003,544)**	(8,323,753)	E	**456,903,113**	418,407,878
Segment liabilities	**(22,261,335)**	(12,052,200)	**(80,051,947)**	(84,305,676)	**(4,366,298)**	(3,545,285)	**(6,568,348)**	(6,117,403)	F	**(113,247,928)**	(106,020,564)

36. SEGMENT INFORMATION (Cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses/(gains) consist of the following items as presented in the respective notes to the financial statements:

	Note	2017 RM	2016 RM
Bad debts written off	8	**-**	4,366
Impairment loss on trade receivables, net of reversals	20(a)	**262,216**	121,674
Reversal of inventories written down	8	**(222,630)**	(171,383)
Inventories (written back)/written off	8	**(40,433)**	543,889
Inventories written down	8	**393,495**	487,555
Property, plant and equipment written off	8	**327,362**	735,033
Intangible assets written off	8	**2,694**	9
Net unrealised gain on foreign exchange	8	**(31,138)**	(398,719)
Fair value changes on derivatives instruments	23	**211,985**	(48,707)
Gain on disposal of property, plant and equipment	6	**(442,215)**	(195,276)
Loss on disposal of property, plant and equipment	8	**-**	4,166
Share options granted	9	**416,734**	96,238
		878,070	1,178,845

C Unallocated corporate expense of RM2,024,543 (2016: RM2,140,706) was deducted from segment profit to arrive at "Profit before tax" presented in the consolidated statement of comprehensive income.

D Additions to non-current assets consist of:

	2017 RM	2016 RM
Property, plant and equipment	**34,070,510**	9,310,192
Intangible assets	**266,455**	480,530
Investment properties	**2,735,479**	860,323
	37,072,444	10,651,045

36. SEGMENT INFORMATION (Cont'd)

E The following items were (deducted from)/added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2017 RM	2016 RM
Deferred tax assets	**212,270**	4,000
Tax recoverable	**295,156**	222,819
Property, plant and equipment	**(9,510,970)**	(8,550,572)
	(9,003,544)	(8,323,753)

F The following items were added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2017 RM	2016 RM
Income tax payable	**3,505,043**	1,926,867
Deferred tax liabilities	**3,063,305**	4,190,536
	6,568,348	6,117,403

Geographical information

Revenue and non-current assets (other than financial instruments, deferred tax assets and, investment in an associate) information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2017 RM	2016 RM	2017 RM	2016 RM
Malaysia	**426,464,670**	393,293,872	**98,068,133**	70,125,041
Singapore	**182,405,169**	170,881,034	**38,924,582**	40,121,319
Others	**11,394,158**	17,093,871	**-**	-
	620,263,997	581,268,777	**136,992,715**	110,246,360

Non-current assets information presented above consists of the following items as presented in the consolidated statement of financial position:

	2017 RM	2016 RM
Property, plant and equipment	**124,973,780**	100,841,289
Investment properties	**10,048,487**	7,383,225
Intangible assets	**1,970,448**	2,021,846
	136,992,715	110,246,360

37. SUBSEQUENT EVENT

On 1 March 2018, the Group granted 762,000 share options (with a vesting period of two (2) years and three (3) months from 1 March 2018 to 1 June 2020) to qualified executive employees and directors of the Group. Unless otherwise extended by the Board, the date of expiration of these share options shall be on 30 June 2021.

LIST OF PROPERTIES
AS AT 31ST DECEMBER 2017

	Registered Owner & Address	Land area sq.metres	Built-up area sq.metres	Existing use/ Description	Tenure/ (Expiry date) Age of building	Net Carrying Amount RM	Date of last revaluation/ acquisition
	APEX RETAIL SDN BHD						
1	Unit No. F120 First Floor, Holiday Plaza Jalan Dato' Sulaiman Taman Century Johor Bahru Johor Darul Takzim	-	158	Leased / 1 parcel of commercial space located on the 1st floor of Holiday Plaza	Freehold / 33 years old	731,608	Revalued Dec 2013
2	No 21 Jalan Permas Jaya 9/12 Bandar Baru Permas Jaya Masai Johor	279	369	1 1/2 - storey terraced warehouse cum office	Freehold 18 years old	346,000	Revalued Dec 2011
3	No 83 Jalan Munshi Abdullah Melaka	130	330	Pharmacy outlet / 3- storey terraced shop office	Freehold / 55 years old	434,400	Revalued Dec 2011
4	No 134, 134/1, 134/2 and 134/3 Kompleks Perniagaan Munshi Abdullah Jalan Munshi Abdullah Melaka	137	524	Warehouse cum office / 4 1/2 - storey shop office	Leasehold / (exp. 2102) 27 years old	645,453	Revalued Dec 2011
5	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) 17 years old	254,473	Revalued Dec 2011
6	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) 17 years old	346,139	Revalued Dec 2011

	Registered Owner & Address	Land area sq.metres	Built-up area sq.metres	Existing use/ Description	Tenure/ (Expiry date) Age of building	Net Carrying Amount RM	Date of last revaluation/ acquisition
	XEPA-SOUL PATTINSON (MALAYSIA) SDN BHD						
7	No 1-5 Jalan TTC 1 Cheng Industrial Estate Melaka	38,966	17,345	Factory Complex / 1 1/2 - storey Factory Building	Leasehold / (exp. 2096) 25 years old	21,338,989	Revalued Dec 2009
	APEX PHARMACY MARKETING SDN BHD						
8	No 2 Jalan SS 13/5 Subang Jaya Selangor Darul Ehsan	10,116	9,548	Industrial Land / Corporate Office and Warehouse	Freehold 13 years old	14,692,338	Revalued Dec 2009
	APEX PHARMA MARKETING PTE LTD						
9	49 Tannery Lane #04-01 & 04-07 Noble Warehouse Singapore	-	700	Industrial Land / Warehouse	Freehold 32 years old	5,375,077	Revalued Dec 2009
10	4 Loyang Way 1 Singapore	3,673	4,879	Industrial Warehouse / 3 - storey detached buidling	Leasehold / (exp. 2052) 21 years old	31,588,518	Acquired 2013

ANALYSIS OF SHAREHOLDINGS
AS AT 19TH MARCH 2018

Total Number of Issued Shares	: 117,146,093
Class of Shares	: Ordinary Shares
Voting Rights	: One (1) vote per Ordinary Share
Number of Shareholders	: 1,725

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	109	6.32	5,252	0.01
100 to 1,000	232	13.45	131,564	0.11
1,001 to 10,000	1,040	60.29	3,823,176	3.26
10,001 to 100,000	280	16.23	7,664,584	6.54
100,001 – less than 5% of issued shares	61	3.54	22,486,841	19.20
5% and above of issued shares	3	0.17	83,034,676	70.88
Total	1,725	100.00	117,146,093	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

	No. of Shares Held			
Names of Substantial Shareholders	Direct Interest	%	Indirect Interest	%
Apex Pharmacy Holdings Sdn Bhd	47,571,956	40.61	-	-
Washington H Soul Pattinson and Company Limited	35,462,720	30.27	-	-
Xepa Holdings Sdn Bhd	889,750	0.76	47,571,956 (1)	40.61
Apex Holdings (Pte) Ltd	338,750	0.29	48,461,706 (1)	41.37
Xepa Holdings Pte Ltd	-	-	48,800,456 (1)	41.66
Kee Tah Peng @ Hee Teck Peng	-	-	48,800,456 (1)	41.66
Dr Kee Kirk Chin	1,110,312	0.95	48,800,456 (1)	41.66
Yang Liew Fang	-	-	48,800,456 (1)	41.66
Kee Kirk Chuen	206,875	0.18	48,800,456 (1)	41.66
Dr Kee Loo	-	-	48,800,456 (1)	41.66
United Engineers Limited	-	-	47,571,956 (1)	40.61
UE UMC Pte Ltd	-	-	47,571,956 (1)	40.61
Yanlord Land Group Limited	-	-	47,571,956 (1)	40.61
Kuok Khoon Hong	-	-	47,571,956 (1)	40.61
Zhong Sheng Jian	-	-	47,571,956 (1)	40.61
Yanlord Perennial Investment (Singapore) Pte. Ltd.	-	-	47,571,956 (1)	40.61
Perennial Singapore Investment Holdings Pte. Ltd.	-	-	47,571,956 (1)	40.61
HPRY Holdings Limited	-	-	47,571,956 (1)	40.61
Yanlord Commercial Property Investments Pte. Ltd.	-	-	47,571,956 (1)	40.61
Perennial Real Estate Holdings Limited	-	-	47,571,956 (1)	40.61
Perennial UW Pte. Ltd.	-	-	47,571,956 (1)	40.61
Yanlord Holdings Pte. Ltd.	-	-	47,571,956 (1)	40.61

Notes:
1 *Deemed interest by virtue of Section 8(4)(c) of the Companies Act 2016.*

DIRECTORS' SHAREHOLDINGS

	No. of Shares Held			
Name of Directors	Direct Interest	%	Indirect Interest	%
Dr Kee Kirk Chin	1,110,312	0.95	48,800,456 [1]	41.66
Kee Kirk Chuen	206,875	0.18	48,800,456 [1]	41.66
Jackson Chevalier Yap-Kit-Siong	23,437	0.02	-	-
Leong Khai Cheong	208,437	0.18	-	-
Robert Dobson Millner	23,437	0.02	-	-
Heng Su-Ling Mae	-	-	-	-
Tong Yew Sum	-	-	-	-
Datuk Noharuddin Bin Nordin @ Harun	10,000	0.01	-	-

Notes:
[1] *Deemed interest by virtue of Section 8(4)(c) of the Companies Act 2016.*

TOP THIRTY (30) SHAREHOLDERS

No.	Names	No. of Shares	%
1.	APEX PHARMACY HOLDINGS SENDIRIAN BERHAD	47,571,956	40.61
2.	WASHINGTON H.SOUL PATTINSON AND COMPANY LIMITED	18,560,937	15.84
3.	WASHINGTON H.SOUL PATTINSON AND COMPANY LIMITED	16,901,783	14.43
4.	LIM TEH REALTY SDN BERHAD	1,625,000	1.39
5.	LIEW YOON YEE	1,300,000	1.11
6.	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND F9LJ FOR FIDELITY GLOBAL INTRINSIC VALUE INVESTMENT TRUST	1,154,800	0.99
7.	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS-PB)	950,000	0.81
8.	XEPA HOLDINGS SDN. BHD.	889,750	0.76
9.	TAN YAN MENG WARREN	887,906	0.76
10.	ROSINA BINTI ALADAD KHAN	800,000	0.68
11.	LIEW YOON YEE	780,000	0.67
12.	MD ALI BIN MD DEWAL	780,000	0.67

TOP THIRTY (30) SHAREHOLDERS (Cont'd)

No.	Names	No. of Shares	%
13.	CARTABAN NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	750,000	0.64
14.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MD ALI BIN MD DEWAL	710,000	0.61
15.	CHAN HENG KOON	624,000	0.53
16.	TEOH CHOON NEO @ IVY TEOH CHOON NEO	605,000	0.52
17.	SINGAM A/L KUMARASAMY	567,200	0.48
18.	YEO LEE HEE	475,000	0.41
19.	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND F9EX FOR FIDELITY NORTHSTAR FUND	474,600	0.41
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM KENANGA)	422,700	0.36
21.	OH SIEW HEONG	400,000	0.34
22.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI (KLC/KEN)	400,000	0.34
23.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TEOH KIAT KIONG (MY1847)	370,000	0.32
24.	ONG WOAN HUA	365,000	0.31
25.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI	344,900	0.29
26.	APEX HOLDINGS (PTE) LTD	318,750	0.27
27.	SHAHRIZAN @ SHARIZAN BINTI NAWAWEE	308,125	0.26
28.	TAN JIN THAI	305,000	0.26
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MEDICAL FUND (IFM KENANGA)	302,200	0.26
30.	MARGARET LIM	300,000	0.26

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting ("AGM") of Apex Healthcare Berhad ("the Company") will be held at Bunga Melati Room, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka, Malaysia on Thursday, 24th May 2018 at 9.00 a.m., for the following purposes:-

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31st December 2017 together with the Directors' and Auditors' Reports thereon. **(Note 8)**

2. To approve a final single-tier dividend of 6.5 sen per ordinary share for the financial year ended 31st December 2017. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees of RM595,250 for the financial year ended 31st December 2017. **Ordinary Resolution 2**

4. To re-elect Ms Heng Su-Ling Mae who retires by rotation pursuant to Article 89 of the Articles of Association of the Company. **Ordinary Resolution 3**

5. To re-elect Datuk Noharuddin Bin Nordin @ Harun who retires by rotation pursuant to Article 89 of the Articles of Association of the Company. **Ordinary Resolution 4**

6. To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business

To consider and if thought fit, to pass the following Resolutions:-

7. **AUTHORITY UNDER SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES** **Ordinary Resolution 6**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, 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 number of issued shares 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."

8. **AUTHORITY FOR MR LEONG KHAI CHEONG TO CONTINUE OFFICE AS INDEPENDENT DIRECTOR** **Ordinary Resolution 7**

   "THAT authority be and is hereby given for Mr Leong Khai Cheong who has served as an Independent Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Director of the Company until the conclusion of the next Annual General Meeting, in accordance with the Malaysian Code on Corporate Governance."

9. AUTHORITY FOR MS HENG SU-LING MAE TO CONTINUE OFFICE AS INDEPENDENT DIRECTOR **Ordinary Resolution 8**

"THAT, contingent upon the passing of Ordinary Resolution 3, authority be and is hereby given for Ms Heng Su-Ling Mae who has served as an Independent Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Director of the Company until the conclusion of the next Annual General Meeting, in accordance with the Malaysian Code on Corporate Governance."

10. ELECTION OF DIRECTOR **Ordinary Resolution 9**

"THAT Datuk Phang Ah Tong be and is hereby elected as an Independent Non-Executive Director of the Company."

11. PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY **Special Resolution**

"THAT the proposed adoption of a new Constitution of the Company, details as set out in Appendix A accompanying the Annual Report of the Company for the financial year ended 31st December 2017, be and is hereby approved in substitution for and to the exclusion of the whole of the existing Memorandum and Articles of Association thereof."

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a final single-tier dividend of 6.5 sen per ordinary share for the financial year ended 31st December 2017, if approved, will be paid on 14th June 2018. The entitlement date for the payment is 1st June 2018.

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 1st June 2018 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

CHIEW WOON WUI (MIA 20586)
CHAN YOKE PENG (MAICSA 7053966)
Secretaries

Melaka
25th April 2018

Notes:

1. In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 18th May 2018 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend and vote on his/her behalf.

2. A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend and vote in its stead.

3. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.

4. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. 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.

6. The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 1-5 Jalan TTC 1, Cheng Industrial Estate, 75250 Melaka, Malaysia, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof. Any termination of a person's authority to act as a proxy shall be notified in writing and received by the Company at the Registered Office before the commencement of this meeting.

7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by way of poll.

8. The Audited Financial Statements is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 ("the Act") does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

9. EXPLANATORY NOTES ON SPECIAL BUSINESS

   (a) Ordinary Resolution 6 – Authority under Sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares

   This proposed resolution, if passed, will renew the authority given to the Directors of the Company to issue and allot new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the total number of issued shares of any such shares issued during the preceding twelve (12) months, does not exceed 10% of the total number of issued shares of the Company at the time of issue. This renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

   The General Mandate procured and approved in the preceding year 2017 which was not exercised by the Company during the year, will expire at the forthcoming Nineteenth AGM of the Company.

With this renewed General Mandate, the Company will be able to raise funds expeditiously for the purpose of funding future investment, working capital and/or acquisition(s) without having to convene a general meeting to seek shareholders' approval when such opportunities or needs arise.

(b) Ordinary Resolution 7 – Authority for Mr Leong Khai Cheong to continue office as Independent Director

Mr Leong Khai Cheong ("Mr Leong") was appointed as an Independent Non-Executive Director of the Company on 18th February 2000 and has reached the nine (9) years term limit prescribed by the Malaysian Code on Corporate Governance ("MCCG"). In accordance with the MCCG, the Nomination Committee and Board of Directors of the Company, after having assessed the independence of Mr Leong, consider him to be independent based on amongst others, the following justifications and recommend that Mr Leong be retained as an Independent Non-Executive Director of the Company:-

(i) He has confirmed and declared that he is an Independent Director as defined under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

(ii) He does not have any conflict of interest with the Company and has not been entering/is not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies;

(iii) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiary companies; and

(iv) The Board of Directors of the Company is of the opinion that Mr Leong is an important Independent Non-Executive Director in view of his many years on the Board with incumbent knowledge of the Company and the Group's activities and corporate history and has provided invaluable contributions to the Board in his role as an Independent Non-Executive Director.

(c) Ordinary Resolution 8 – Authority for Ms Heng Su-Ling Mae to continue office as Independent Director

Ms Heng Su-Ling Mae ("Ms Mae") was appointed as an Independent Non-Executive Director of the Company on 20th November 2008 and has reached the nine (9) years term limit prescribed by the MCCG. In accordance with the MCCG, the Nomination Committee and Board of Directors of the Company, after having assessed the independence of Ms Mae, consider her to be independent based on amongst others, the following justifications and recommend that Ms Mae be retained as an Independent Non-Executive Director of the Company:-

(i) She has confirmed and declared that she is an Independent Director as defined under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

(ii) She does not have any conflict of interest with the Company and has not been entering/is not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies;

(iii) She is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiary companies; and

(iv) The Board of Directors of the Company is of the opinion that Ms Mae is an important Independent Non-Executive Director in view of her many years on the Board with incumbent knowledge of the Company and the Group's activities and corporate history and has provided invaluable contributions to the Board in her role as an Independent Non-Executive Director.

(d) Ordinary Resolution 9 – Election of Datuk Phang Ah Tong as Director of the Company

This proposed resolution if passed, Datuk Phang Ah Tong will be elected as an Independent Non-Executive Director of the Company. His details are set out in the Statement Accompanying the Notice of Annual General Meeting on page 155 of this Annual Report.

(e) Special Resolution – Proposed Adoption of New Constitution of the Company

The proposed Special Resolution, if passed, will align the Constitution with the Companies Act 2016 which came into force on 31st January 2017, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing laws, guidelines or requirements of the relevant authorities as well as to enhance administrative efficiency and provide greater clarity and consistency throughout.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Details of Datuk Phang Ah Tong, who is nominated for appointment as Independent Non-Executive Director of the Company at the Nineteenth Annual General Meeting of the Company are as follows:

Name	:	Datuk Phang Ah Tong
Age	:	60
Gender	:	Male
Nationality	:	Malaysian
Qualification	:	University of Malaya BA Econs (Hons) 1978-1981 INSEAD Senior Management Development Programme – 2015 Harvard Senior Management Development Programme – 2008 INSEAD Senior Management Development Programme – 1986
Position in Board	:	Independent Non-Executive Director
Working experience	:	2017– Present, Chairman of Malaysia Automotive Institute (MAI) 2013-2017, Deputy Chief Executive Officer I – Malaysian Investment Development Authority (MIDA) 2011-2013, Deputy Chief Executive Officer II – MIDA 2008-2011, Senior Director (Investment) – MIDA 2007-2008, Director Foreign Investment Promotion – MIDA 2001-2007, Director MIDA New York 1994-2001, Senior Assistant Director Industrial Promotion – MIDA 1989-1994, Assistant Trade Commissioner (Investment) MIDA London 1987-1999, Assistant Director Industrial Promotion Division – MIDA 1983-1987, Economist Planning, Research and International Corporation Division – MIDA 1981-1983, Economist Project Division – MIDA
Other directorship in public companies	:	Non-Executive Chairman, JF Technology Berhad Independent Director, Inari Amertron Berhad
Any interest in Securities of the Company and its subsidiaries	:	2,500 shares
Family relationship with any Director or major shareholders of the Company	:	None
Conflict of Interest with the Company	:	None
List of Conviction for Offences within the Past Ten (10) Years other than traffic offences	:	None

2. Directors who are standing for re-election

The Directors standing for re-election at the Nineteenth Annual General Meeting are as follows:

(a)	Ms Heng Su-Ling Mae	Retiring by rotation pursuant to Article 89 of the Articles of Association of the Company
(b)	Datuk Noharuddin Bin Nordin @ Harun	Retiring by rotation pursuant to Article 89 of the Articles of Association of the Company

3. Further details of Directors who are standing for re-election

(a) Details of the above Directors who are standing for re-election are set out in the Profile of Directors appearing on pages 22 to 24 of this Annual Report.

(b) The direct and indirect shareholdings of the above Directors who are standing for re-election are set out in the Analysis of Shareholdings on page 148 of this Annual Report.

3. Details of Attendance of Directors at Board Meetings

Four (4) Board meetings were held during the financial year ended 31st December 2017. Details of the attendance of each Director are set out in the Report of the Nomination Committee appearing on page 38 of this Annual Report.

5. Place, Date and Time of Nineteenth Annual General Meeting

The Nineteenth Annual General Meeting of the Company will be convened and held at Bunga Melati Room, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka, Malaysia on Thursday, 24th May 2018 at 9.00 a.m.

APEX HEALTHCARE BERHAD (473108-T)
(Incorporated in Malaysia)

FORM OF PROXY

No. of Shares held	
CDS Account No.	

I/We, ______________________________ NRIC/Company No. ______________________
(Full name in block letters)

of ____
(Full Address)

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

______________________ of ____
(Full name in block letters) (Full Address)

or failing him/her, ______________________ of ______________________________
(Full name in block letters) (Full Address)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of Apex Healthcare Berhad ("the Company") to be held at Bunga Melati Room, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka, Malaysia on Thursday, 24th May 2018 at 9.00 a.m., on the following resolutions referred to in the Notice of Nineteenth Annual General Meeting.

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

	RESOLUTION	*FOR	*AGAINST
Ordinary Resolution 1	To approve a final single-tier dividend of 6.5 sen per ordinary share for the financial year ended 31st December 2017.		
Ordinary Resolution 2	To approve the payment of Directors' fees of RM595,250 for the financial year ended 31st December 2017.		
Ordinary Resolution 3	To re-elect Ms Heng Su-Ling Mae who retires by rotation pursuant to Article 89 of the Articles of Association of the Company.		
Ordinary Resolution 4	To re-elect Datuk Noharuddin Bin Nordin @ Harun who retires by rotation pursuant Article 89 of the Articles of Association of the Company.		
Ordinary Resolution 5	To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 6	To authorise Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Ordinary Resolution 7	To retain Mr Leong Khai Cheong as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance.		
Ordinary Resolution 8	To retain Ms Heng Su-Ling Mae as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance.		
Ordinary Resolution 9	To elect Datuk Phang Ah Tong as an Independent Non-Executive Director of the Company.		
Special Resolution	To approve the Proposed Adoption of New Constitution of the Company.		

* 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 ________________2018

____
Signature of Member(s) or Common Seal

Notes:

1. In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 18th May 2018 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend and vote on his/her behalf.
2. A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend and vote in its stead.
3. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.
4. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. 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.
6. The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 1-5 Jalan TTC 1, Cheng Industrial Estate, 75250 Melaka, Malaysia, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof. Any termination of a person's authority to act as a proxy shall be notified in writing and received by the Company at the Registered Office before the commencement of this meeting.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM will be put to vote by way of poll.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and / or representative(s), the member accepts and agrees to the personal data privacy terms pursuant to Personal Data Protection Act, 2010.

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AFFIX
STAMP

The Company Secretaries
APEX HEALTHCARE BERHAD (473108-T)

1-5 Jalan TTC 1
Cheng Industrial Estate
75250 Melaka
Malaysia

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DIRECTORY OF DISTRIBUTION DEPOTS

Branch	Tel Number	Fax Number	Contact Person
Subang Jaya Head Office No 2, Jalan SS 13/5 47500 Subang Jaya Selangor Darul Ehsan	03-5629 3688 03-5629 3686	03-5636 8200 03-5636 8025 03-5636 8110 03-5629 3777	Mr Tan Hing Tai (Executive Director) Mr Lau Ah Tee (Director - Sales & Marketing) Mr Leong Way Mun (General Manager - Distribution) Ms Ang Girl Bee (Asst General Manager - Consumer Healthcare) Ms Tan Pei Leng (Asst General Manager - Wholesale) Mr Yu Gen Yuan (Purchasing Manager - Wholesale) Ms Lee Siew Bee (Finance & Admin Manager) Mr Ling Chin Huat (Senior ICT Manager) Mr Yip Wai Lap (Product Manager - Pharma) Ms Ooi Joo Yun (Product Manager - Pharma) Ms Yong Kar Mun (Product Manager - Pharma) Ms Lim Li Ying (Product Manager - Pharma) Ms Chin Siew Mei (Product Manager - Consumer Healthcare) Cik Farhana Ahmad (Tender Manager - Consumer Healthcare) Mr Teh Chia Sheng (Assistant Operations Manager - PJW)
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 Wong Teck Onn (Branch Manager)
Melaka 134/1, Kompleks Perniagaan Munshi Abdullah Jalan Munshi Abdullah 75100 Melaka	06-284 7350 06-282 8695 06-282 2168	06-283 7704	Mr Low Chor Ling (Branch Manager)
Seremban (Sales Office) 11, Tingkat 1 Jalan Dato Sheikh Ahmad 70000 Seremban N. Sembilan Darul Khusus	06-764 2810	06-767 0327	Ms Tan Pei Leng (Asst General Manager - Wholesale)
Johor 11, Jalan Mutiara 5 Taman Perindustrian Plentong 81100 Johor Bahru Johor	07-353 5534	07-353 4816	Ms Melissa Hong Chui Ean (Branch Manager)
Kota Bahru PT 533/A & 534/A, Taman Murni Jalan Pengkalan Chepa 16100 Kota Bahru Kelantan	09-774 3666	09-774 9428	Ms Lim Gim Hoon (Senior Branch Manager)
Penang No 10, Lintang Beringin 1 Off Jalan Permatang Damar Laut 11960 Bayan Lepas Penang	04-626 2739	04-626 3392	Ms Kew Miaw Fung (Senior Branch Manager)
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)
Singapore 4, Loyang Way 1 Singapore 508708	65-6741 3803	65-6749 3839	Ms Loh Pei Juin (General Manager)

Apex
Healthcare
Service • Quality • Integrity

APEX HEALTHCARE BERHAD (473108-T)

1-5, Jalan TTC 1, Cheng Industrial Estate,
75250 Melaka, Malaysia
Telephone : +6 06 337 0980
Facsimile : +6 06 337 0570

www.apexhealthcare.com.my