apex

Apex Healthcare Berhad
(473108-T)

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Apex Healthcare Berhad (473108-T)

Annual Report **2012**

ApexAura

Annual Report 2012

apex
Apex Healthcare Berhad
(473108-T)

Journey to Excellence
Celebrating 50 Golden Years!

The journey of a thousand miles begins with a single step

In 1962, the founder of Apex Healthcare, Kee Tah Peng, bravely took the first step and opened the first Apex Pharmacy retail outlet in Melaka. This retail outlet still stands tall and proud today. It was not easy during the early years, but Kee and his team worked hard. With grit and determination, Apex Healthcare successfully established its generic manufacturing arm in 1967.

50 apex
YEARS OF EXCELLENCE IN SERVICE
1962-2012

With further expansion of the business, the manufacturing plant under the name Xepa-Soul Pattinson was relocated to the Ayer Keroh Industrial Estate (1974), and later to Cheng Industrial Estate (1995), Melaka. Apex Healthcare was listed on the Second Board of the Kuala Lumpur Stock Exchange (KLSE) in 2000. It was Malaysia's first chain pharmacy cum pharmaceutical manufacturer and distributor servicing the private sector, to be listed on the KLSE. Within 3 years, Apex Healthcare was transferred to the Main Board of KLSE. Today, the state-of-the-art Apex Pharma Centre, housing its head office and specialized pharmaceutical warehouse facilities, is a further testament to the growth of Apex Healthcare. From its humble beginning as a solitary retail outlet, Apex Healthcare has grown from strength to strength over these 50 years, with business operations in Malaysia, Singapore, Indonesia and Vietnam.

Kee believes that the key to business growth and sustainability can be found in three core values : Service, Quality and Integrity. These core values epitomize Kee's business philosophy. These core values serve as a beacon, guiding Apex Healthcare in its mission of "Restoring health, Enhancing life". Service, Quality and Integrity will remain true to Apex Healthcare in its journey to excellence.

RESTORING HEALTH ENHANCING LIFE...

> **People tell me that every journey begins with a single step and that if you dream hard enough it can materialize.**
> *Kee Tah Peng, From Vision to Achievement*

Xepa^sp

Trusted
Leadership

www.xepasp.com

CONTENTS

CORPORATE SECTION

FINANCIAL SECTION

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

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

Registered Office

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

Group Websites

www.apexpharmacy.com
www.xepasp.com
www.apexpharmacy.com.sg
www.pentavalent.co.id

Stock Exchange Listing

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

Principal Bankers

HSBC Bank Malaysia Berhad
777 Jalan Hang Tuah
75300 Melaka

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

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

Further Information on:

- Board Charter
- Code of Conduct
- Sustainability Statement
- Whistleblowing Policy & Procedure

can be found on the Group's website:
www.apexpharmacy.com

Auditors

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

Legal Advisors

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

Company Secretarial Agents

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

Share Registrars

Tricor Investor Services Sdn Bhd
Level 17
The Gardens North Tower
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Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603 2264 3883
Fax : +603 2282 1886

Investor Relations

Apex Pharmacy Corporate Sdn Bhd
2 Jalan SS 13/5
47500 Subang Jaya
Selangor Darul Ehsan
Tel : +603 5637 6888
Fax : +603 5636 9280

Contact Person : Leighton Kee
Email : lkee@apexpharmacy.com

CORPORATE STRUCTURE

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
  - 40% ABio Orthopaedics Sdn Bhd
- 100% Apex Retail Sdn Bhd
  - 60% CS Health Store Sdn Bhd
- 100% Xepa-Soul Pattinson (Malaysia) Sdn Bhd
  - 100% Xepa-Soul Pattinson (S) Pte Ltd
- 20% Maritzberg Investments Limited
  - 95% PT Penta Valent

CHAIRMAN'S STATEMENT

"I am delighted to present to you the Annual Report and Audited Financial Statements of the Group for the year 2012. We capped our first 50 years by achieving record revenue of RM 399 million and profit before tax of RM 42.3 million. The Board of Directors has proposed Final Dividends comprising a taxable dividend of 3 sen gross per share and a tax-exempt dividend of 3 sen per share, as well as a tax-exempt Special Dividend of 5 sen per share in respect of financial year 2012 for your approval at the forthcoming Annual General Meeting scheduled on 22nd May 2013."

DEAR SHAREHOLDERS

OUR GOLDEN JUBILEE

2012 marks a significant milestone of your company, Apex Healthcare Berhad ('Apex Healthcare'). We celebrated our Golden Jubilee and I take great pleasure in recording my personal thanks and appreciation to all employees, business partners, shareholders, and loyal customers for walking this journey with us. For the past 50 years, we have operated our business based on our core values of Service, Quality & Integrity, with the conviction that good business is not just about sound financial returns, but always ensuring that our business processes are ethical and sustainable.

Our performance has been consistently driven by the careful execution of our balanced business strategy that focuses on delivering results across all our strategic business units. I am proud of our results-driven leaders and colleagues, both past and present, who work tirelessly to identify and capitalise on opportunities that have driven growth over half a century.

CHAIRMAN'S STATEMENT (cont'd)

DIVIDENDS

The Board of Directors has proposed Final Dividends comprising a taxable dividend of 3 sen gross per share and a tax-exempt dividend of 3 sen per share, as well as a tax-exempt Special Dividend of 5 sen per share in respect of financial year 2012 for your approval at the forthcoming Annual General Meeting scheduled on 22nd May 2013.

INDUSTRY TREND AND PROSPECTS

The prospects for the pharmaceutical industry continue to be positive. The fundamental trends point towards continued focus on reducing healthcare costs with increased use of generic drugs, an increasingly affluent demographics requiring home-based diagnostics, quality medicines and consumer healthcare products, and an ageing population, all of which support sustained growth in demand.

In 2011, the Malaysian pharmaceutical industry was estimated to be worth RM 5 billion for prescription and OTC medicines. According to industry analyst IMS, the industry is expected to experience a compounded annual growth rate of 9.5% for the period 2009 - 2014, by the end of which it should be worth RM 5.4 billion. This steady growth in demand for healthcare products remains the foundation of the core businesses of Apex Healthcare.

As has been for the past 50 years, the road ahead will be challenging. While the US is expected to grow modestly, the Eurozone's debt crisis continues to create drag on the global economic recovery. Competition from existing and new entrants into our markets is a constant. We have always responded by remaining focused on our core businesses, by continually investing in people, plants and processes to ensure that our brand equity remains strong and of value to our customers. The strengths that serve us well today will be even more important tomorrow.

REVIEW OF OPERATIONS

Group

In 2012, Apex Healthcare Berhad Group ("the Group") achieved record consolidated revenue of RM 399 million, marking the twelfth consecutive year of revenue growth since our Initial Public Offering in 2000. Profit before tax reached RM 42.3 million, which is a new high if all non-recurring income and adjustments are eliminated. The highest profit before tax ever achieved by the Group was RM 45.1 million in 2010, which included a non-recurring income of RM 10.1 million from the recognition of the Group's share of the premium arising from the issuance of new shares to investors in Luyan (Fujian) Pharma Co Ltd, an associate company of Xiamen Maidiken Science and Technology Co Ltd.

The Group's effective tax rate for 2012 is higher at 25.3% compared to 22.1% in 2011. This is primarily attributed to Xepa-Soul Pattinson (Malaysia) Sdn Bhd's higher effective tax rate of 24.7% compared with 17.1% in 2011, due to the expiry of tax reinvestment allowance for qualifying capital expenditure from 1st January 2012.

Group profit after tax and non-controlling interests amounted to RM 29.0 million, which is 4% better than the RM 28.0 million achieved in 2011. This is attributed to the recognition of capital gains tax amounting to RM 2.5 million on completion of the Group's disposal of its equity stake in Xiamen Maidiken Science and Technology Co Ltd in the first quarter of 2012. By excluding the effect of this non-recurring capital gains tax, the Group's profit after tax would be RM 31.5 million, an improvement of 12% over the previous year.

CHAIRMAN'S STATEMENT (cont'd)

The Group's financial position strengthened year on year with total liquid funds of RM 65.2 million as at 31st December 2012, classified as Investment Securities of RM 30.5 million and cash and bank balance of RM 34.7 million. Shareholders' funds at 31st December 2012 grew by 9% to RM 216 million from RM 199 million in December 2011, or RM 2.31 from RM 2.12 per share respectively.

Business Units

In 2012, Xepa-Soul Pattinson (Malaysia) Sdn Bhd and its wholly owned subsidiary, ('Xepa') achieved revenue of RM 90.5 million, representing an increase of 7% over 2011, driven by continued strong performances in the domestic market and strategically targeted export markets. Profit before tax grew by 11%, marking the fourth consecutive year of double digit profit growth.

In Malaysia, sales to the private and government sectors grew equally by 7%. As a result of sales force expansion, sales to private sector pharmacies grew 28%, with cough mixtures and cardiovascular products constituting the top two therapeutic classes for sales. In international markets, sales in Singapore grew 32% over the previous year, reaching RM 10 million for the first time. In Myanmar, sales more than doubled that of the previous year. Construction of a second new administrative building at Cheng has been completed on schedule.

In 2012, Apex Pharmacy Marketing Sdn Bhd ('APM') grew revenue by 12% and profit before tax by 26%, driven by strong sales performance of both pharmaceutical and consumer products division. Profit margins were strengthened by a growing proportion of own brand products in the sales mix. In particular, sales of Avonac SR 100mg, Clavomax 625mg Tablet and Avofisien range of surgical disposables exceeded expectations.

In Singapore, Apex Pharma Marketing Pte Ltd ('APS') grew full year 2012 revenue by 14% over 2011, helped by continued growth in pharmaceutical wholesaling and new distribution agencies. During the fourth quarter, APS exercised an option to acquire a 51,000 square feet industrial building for S$ 10.6 million in order to support business growth.

New Ventures

The global market of orthopaedic components was worth RM 130 billion in 2011. 80% of these devices are consumed in the developed markets of USA, Europe and Japan. Currently, the global market is largely dominated by ten multinational orthopaedic companies. Due to rising costs, these companies are relying increasingly on certified contract manufacturers outside Western Europe and the United States for production.

Capitalising on this growing opportunity, Apex Healthcare established a joint venture with 40% equity in ABio Orthopaedics Sdn Bhd to contract manufacture orthopaedic components for multinational clients. This joint venture provides a good opportunity for Apex Healthcare to secure entry into the business of manufacturing orthopaedic devices for the global market with an experienced and proven partner. In addition, it enables us to further expand the scope of our business to cover more facets of healthcare; encompassing pharmaceuticals, diagnostics, consumer health care products, and medical devices.

The Malaysian Government through its agency, PEMANDU has identified the contract manufacturing of orthopaedic components as an activity of the Healthcare National Key Economic Area to be supported under the Economic Transformation Programme (ETP). On 5th March 2013, ABio Orthopaedics Sdn Bhd was officially endorsed as an Entry Point Project (EPP) under the Healthcare National Key Economic Area under PEMANDU.

CHAIRMAN'S STATEMENT (cont'd)

Moving Ahead

The continued strong performance of the Group's core businesses in 2012 is the result of sound strategic planning and execution, continuous upgrading of manufacturing business facilities, careful regional expansion, focused brand management, strategic new product launches and an emphasis on staff training and development. Our entry into the contract manufacturing business of orthopaedic devices for multinational customers enables us to add a new engine of growth for the future, increasing opportunities while diversifying risk.

OUR BUSINESS TENETS

Corporate Governance

Good corporate governance is an integral part of our business dealings and culture. The principles and recommendations provided in the enhanced Malaysian Code on Corporate Governance 2012 provide further impetus for us to deepen our governance structure.

We have formalised a Board Charter which outlines the roles and responsibilities of the Board and Board Committees. Transparent policies and procedures are spelt out in the terms of reference for all three Board Committees; Nomination, Remuneration and Audit. Through our risk management approach and system of internal controls, we have established a sound framework to manage risks. Systematically planned internal audits test the effectiveness and efficiency of internal control procedures and processes, ensuring that the risk management framework remains viable and robust.

We are proud of our core values of "Service, Quality & Integrity" which encapsulate our corporate culture and ethics. Our formalised Code of Conduct springs from these three timeless core values on which Apex Healthcare was founded in 1962, and remains the code we live by today. We have also formalised a Whistleblowing Policy & Procedure to protect whistle-blowers acting in good faith and in the interest of all stakeholders.

We subscribe fully to the view that sustainability and good governance are inseparable aspects of running a responsible business model as embodied in our Sustainability Statement. Guided by our mission of "Restoring Health, Enhancing Life", we believe in serving the community in a sustainable fashion, in all aspects of our operating businesses and in a way which brings value to all stakeholders.

Corporate Sustainability

Our commitment to Corporate Social Responsibility ('CSR') forms one of the core pillars of our Sustainability Statement. Our CSR is about the long term strategy of aligning business direction and operations with universal values to achieve positive and sustainable outcomes for customers, suppliers, employees, shareholders, communities, other stakeholders and the environment.




CHAIRMAN'S STATEMENT (cont'd)

In 2012, a Blood Donation day was held at Xepa's plant in Melaka in June 2012 as part of our contribution to the communities that we serve. With our University Outreach Program, we hosted 8 interns from Malaysian universities; as well as providing sponsorship of prizes for top students pursuing pharmacy in the universities. The physical and mental wellbeing of our employees are of paramount importance to us. A Staff Health & Wellness Week encompassing blood screening, health talks on nutrition and stress management, line dancing, and cooking demonstration was organised.

As contribution to the communities in which we operate, we are mindful of the needs of those who are disabled, terminally ill, and mentally handicapped. We provided cash donations to these organisations which are involved with the welfare of these segments of the communities. In 2012, Apex Healthcare was one of the main sponsors of Terengganu Agnesia Bikelabz Youth Cycling Team. We are heartened by the spirit of the young athletes, who are committed in their pursuit of excellence in their chosen sporting discipline.

Continuing Professional Development

Within our Group, we recently launched a Continuing Professional Development program for our pharmacists, named Apex Healthcare CPD, to support them in their endeavours to achieve competencies for sustainable professional development and improvement. Our pharmacists form the bedrock of support for the organisation, and they are the key drivers of growth and change in enabling the business of Apex Healthcare to run effectively and efficiently. Due to their critical roles, it is important to establish a strategic talent management and continuing development program for Apex Healthcare pharmacists. This pool of pharmacists plays a pivotal role in imparting their skills and values to all layers of the organisation in this challenging pharmaceutical business environment.

We are also pleased to report that Apex Healthcare is now recognised by the Malaysian Ministry of Health as a training centre for Provisionally Registered Pharmacist (PRP) covering production; logistics, warehousing and distribution; regulatory affairs; research and development; quality assurance and sales & marketing. We are optimistic that these young pharmacists will be able to achieve key and functional competencies in

the various facets of pharmacy practice through their attachment with us.

APPRECIATION

Our strong strategic positioning, solid financial position, recurring revenue and robust profits give us confidence that we can continue to achieve success in the next phase of our journey, as we have during the past 50 years.

I am heartened by the dedication and hard work of Group's employees and I would like to take this opportunity to record my personal gratitude to each staff for making 2012 another year of business success. Deep appreciation is also due to my fellow Directors for their insightful contributions, dedication and expert knowledge in guiding Apex Healthcare. Last and certainly not least, I wish to thank our shareholders for their support and continued confidence in Apex Healthcare. Together, we will chart and navigate the next 50 years with renewed vigor.

DR KEE KIRK CHIN
Chairman & CEO

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OPERATIONS

Apex Healthcare Berhad is the investment holding company for a group of companies engaged in the business of manufacturing, marketing, distributing and retailing of pharmaceutical and healthcare products with direct operations in Malaysia, Singapore, Indonesia and Vietnam. The Group's business operations are organised into four main business segments:

Business Segment	Operating Subsidiaries or Associates
Pharmaceutical Manufacturing	Xepa-Soul Pattinson (Malaysia) Sdn Bhd Xepa-Soul Pattinson (S) Pte Ltd
Wholesale, Marketing & Distribution	Apex Pharmacy Marketing Sdn Bhd Apex Pharma Marketing Pte Ltd PT Penta Valent
Corporate	Apex Pharmacy Corporate Sdn Bhd Apex Retail Sdn Bhd Avex Pharmaceuticals Pte Ltd CS Health Store Sdn Bhd
Orthopaedics Manufacturing	ABio Orthopaedics Sdn Bhd

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

OBJECTIVES AND STRATEGIES

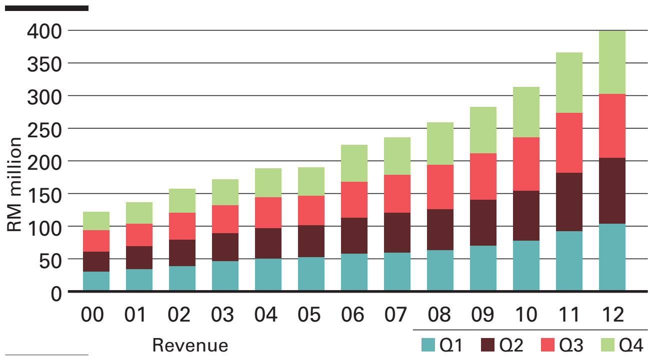
The mission of Apex Healthcare Berhad is 'Restoring Health, Enhancing Life' and this is translated practically into our Group business objective; **A**pex makes available the **B**est healthcare products through its **C**omprehensive **C**hannels to its valued **C**ustomers, or the **ABC Objective** for short.

In all business groups and units, the strategy is always to research, develop, create, produce or source the best efficacious healthcare products; whether pharmaceuticals, over the counter consumer items, surgical supplies or diagnostics, where possible bearing Group brands, at a price point that is of value to our customers. Our comprehensive direct distribution channels, supported by ethical marketing and sales activities, gives us speed and access to market, enabling these products to reach our customers in a timely manner.

REVIEW OF FINANCIAL RESULTS

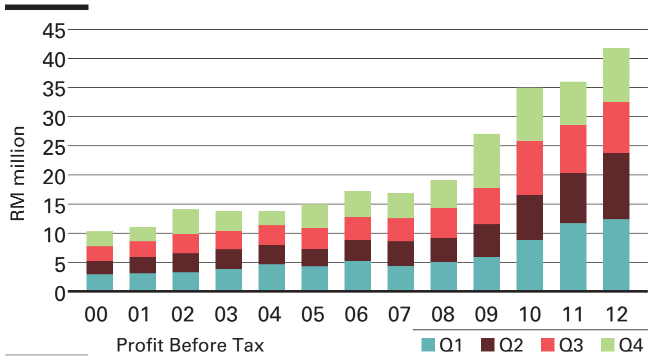
Revenue

In 2012, the year of its 50th Anniversary, Apex Healthcare Berhad Group achieved record consolidated revenue of RM 399 million, marking the twelfth consecutive year of revenue growth since our Initial Public Offering in 2000. The following chart shows the Group's revenue growth since 2000, with additional information illustrating quarterly revenue contributions:



Profit Before Tax

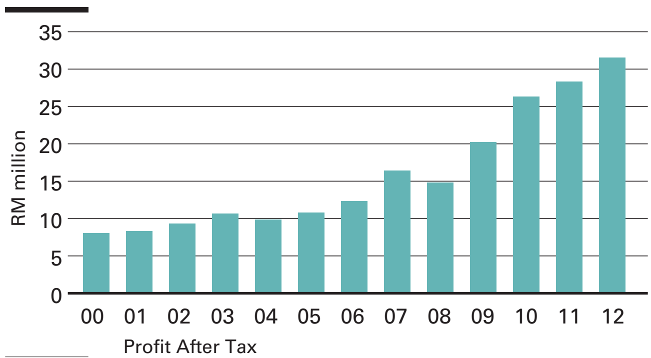
In 2012, Group profit before tax reached RM 42.3 million, which is a new high if all non-recurring income and adjustments are eliminated. The highest profit before tax ever achieved by the Group was RM 45.1 million in 2010, inclusive of a non-recurring income of RM 10.1 million from the recognition of the Group's share of the premium arising from the issuance of new shares to investors in Luyan (Fujian) Pharma Co Ltd, an associate company of Xiamen Maidiken Science and Technology Co Ltd. The following chart illustrates the Group's profit before tax after eliminating all non-recurring income and adjustments, including a breakdown to show quarterly contributions, since year 2000.



Profit After Tax and Non-Controlling Interest

The Group's effective tax rate for 2012 is higher at 25.3% compared to 22.1% in 2011. This is primarily attributed to Xepa-Soul Pattinson (Malaysia) Sdn Bhd's ('Xepa') higher effective tax rate of 24.7% compared with 17.1% in 2011, due to the expiry of tax reinvestment allowance for qualifying capital expenditure from 1st January 2012.

Group profit after tax and non-controlling interests amounted to RM 29.0 million, which is 4% better than the RM 28.0 million achieved in 2011. This is attributed to the recognition of capital gains tax amounting to RM 2.5 million on completion of the Group's disposal of its equity stake in Xiamen Maidiken Science and Technology Co Ltd in the first quarter of 2012. By excluding the effect of this non-recurring capital gains tax, the Group's profit after tax would be RM 31.5 million, an improvement of 12% over the previous year. The following chart illustrates the Group Attributable Net Profit with all non-recurring contributions eliminated:



MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Financial Position

At 31st December 2012, the Group's financial position strengthened year on year with total liquid funds of RM 65.2 million, classified as Investment Securities of RM 30.5 million and cash and bank balance of RM 34.7 million. This is attributed to close monitoring of working capital, with key performance indicators improving from 2011.

Shareholders' funds at 31st December 2012 grew by 9% to RM 216 million from RM 199 million in December 2011, or RM 2.31 from RM 2.12 per share respectively.

REVIEW OF OPERATING ACTIVITIES

XEPA-SOUL PATTINSON

Sales and Marketing

In 2012, Xepa-Soul Pattinson (Malaysia) Sdn Bhd and its wholly owned subsidiary ("Xepa"), achieved revenue of RM 90.5 million, representing an increase of 7% over 2011, driven by continued strong performances in the domestic market an d strategically targeted export markets. Profit before tax grew by 11%, marking the fourth consecutive year of double digit profit growth.

In Malaysia, sales to the private and government sectors grew equally by 7%. As a result of sales force expansion, sales to private sector pharmacies grew 28%, with cough mixtures and cardiovascular products constituting the top two most important therapeutic classes. Statistical data in Malaysia shows the prevalence rate of hypertensive and diabetic patients above age 30 are 42.6% and 14.9%, respectively.[1] The high obesity rate (14.0%)[1], imbalanced diet and stressful lifestyle are root causes that have led to the sustained increase in demand for cardiovascular and metabolic medicines and treatments. In 2012, Xepa launched a new anti-hypertensive drug Adroten, further adding to its portfolio of cardiovascular and metabolic drugs to consolidate its strong position in this market segment.

In international markets, sales in Singapore grew 32% over the previous year, reaching RM 10 million for the first time. In Myanmar, sales more than doubled that of 2011. With the benefit of Xepa's long business presence in Myanmar since 1993, and the recent liberalisation of its economy, Xepa will be opening a representative office in Myanmar in 2013 in order to localise sales and marketing initiatives. This will be Xepa's second representative office in international markets after its first in Ho Chih Minh City, Vietnam.

Production

In production, Xepa continues to increase manufacturing capacity and efficiency by optimising resource utilisation, helped by its 'Step Change' program. Into its second year of implementation, processes are continually re-modeled and re-engineered to keep work processes lean by adopting an asset-light approach. Maintenance costs were optimised through standardisation of equipment and change parts, while its ability to consistently maintain a low inventory and minimise wastages has significantly strengthened cash-flow.

An inescapable challenge in the industry is the constantly evolving regulatory requirements in all the markets in which Xepa operates, such as mandatory bioequivalence studies for all new drug registrations and stricter production validation protocols. In 2012, Xepa strengthened talent in its Research and Development team in order to enhance effectiveness in the product development process and shorten product development cycles. Accelerated restructuring of the scope and grade of shop floor staff were completed ahead of schedule, mitigating the impact of legislation on minimum wages which will take effect in January 2013.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Xepa continues to focus on the recruitment and development of human capital and in order to accommodate growing staff numbers, a second administration and office building with 1,230 square metres of space was constructed in Cheng and will be ready for use by the second quarter of 2013.

Looking forward, Xepa will remain focused on defined groups of products in selected therapeutic areas, producing them to higher standards, strategically branding and marketing them as widely as possible. This approach has worked well and will continue to serve as Xepa's strategic direction for the future.

APEX PHARMA

In 2012, Apex Pharmacy Marketing Sdn Bhd ('APM') achieved sales revenue of RM 286.8 million, marking yet another consecutive year of growth. This is 12% better than the previous year. Profit before tax rose by 26% compared to 2011, reflecting a growing proportion of higher margin house brand products in APM's sales mix and good control over operating expenses.

Wholesale

Wholesale continues to be APM's anchor division, contributing some 40% of the subsidiary's annual revenue. Growth over 2011 is steady, with good gains in market share in the Klang Valley, northern states and East Malaysia despite competition from localised wholesalers throughout the country.

Restructuring of the division's distribution infrastructure and expansion of the sales force in 2012 have significantly improved sales coverage to clinics, pharmacies and hospitals. Continuous comprehensive sales and product training of front line sales representatives, including customer services assistants at APM's customer call centre, has significantly improved effectiveness in terms of closing sales and increasing APM's customer base.

Moving forward, the division will continue to invest to strengthen its position as the leading wholesaler in Malaysia, with eight depots located in major cities to ensure comprehensive coverage. Today, APM Wholesale is able to offer its customers the convenience of selecting from more than 3,600 items in APM's inventory at competitive prices.

Pharma

Revenue at the Pharma Division grew 18% over 2011, attributed to growing demand for our AVO branded range of products (marketed under Avo Diagnostics, Avo Pharma and Avo Medical sub-brands), as well as the more established AVEX branded generic drugs.

Existing Avo Diagnostics products such as AvoMeter GLU and glucose test strips, AvoLife blood pressure meters, AvoMeter Perfect and cholesterol strips continued to grow in demand. In 2012, Avo Diagnostics added to its portfolio of meters, AvoMeter UA, indicated for the measurement of uric acid levels.

Four new products were launched under the Avo Pharma brand in 2012; Clavomax, Avonac Suppositories, Lice Clear and Avosoda. Avo Pharma sales increased by two-fold from 2011 due primarily to Clavomax and Avonac SR tablet (launched in 2011). In 2012, the first Avo Medical branded product, Avofisien, a disposable blood line set for haemodialysis was launched; with more surgical disposable products in the pipeline.

AVEX branded products, namely Gastrovex, Ciprox and Avezol, strengthened their market share and are the leading generics in their respective sectors. Efforts will be directed to maintain sector leadership with intensified marketing and brand awareness campaigns in 2013.

Moving forward, and in view of increasingly stringent registration requirements for imported new pharmaceutical products and the recently implemented mandatory registration for medical devices, the Pharma Division has strengthened its regulatory team in order to ensure a continuously expanding portfolio of products for APM's customers.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Consumer Healthcare

Sales revenue at the Consumer Healthcare Division grew 13% over 2011, with good growth in sales of AGNESIA products locally and internationally, as well as products of its key principals, Nestle and TR Network. In particular, export sales of AGNESIA medicated powder products grew encouragingly, accounting for some 40% of all AGNESIA sales in 2012, charting a new record.

Both Nestle and TR Network carried out intensive marketing effort that resulted in significant growth in market share and brand recognition. Existing products that performed well include Nestle Nutren Diabetik and Kinohimitsu J'pan Beauty Collagen Diamond 5300 Drink while newly launched innovative product such as Kinohimitsu J'pan Stem Cell Drink added to growth. The addition of a new agency with product such as Easy 123 (nutrient-rich dietary health drink) further contributed to revenue growth of the consumer division.

AGNESIA recorded significant sales growth of 27% in 2012, attributed to increased international sales. Locally, AGNESIA remained the market leader in the medicated powder category, the result of continuous brand awareness activities through television advertisement. The division also successfully launched Hydra 24 Cracked Heel Cream under the AGNESIA brand, further widening brand presence on retail shelves.

Physical Distribution

Revenue grew 22% over 2011, due mainly to the consolidation of the distribution of all Xepa products under APM and organic growth of existing agencies for which distribution services are provided. Integrity in dealing with customers remains a key prerequisite for ensuring a sustained business relationship. Careful management of inventory and logistics have not only enabled the division to achieve a low inventory turnover days of 36 as at December 2012, but have significantly helped our principals minimise wastage due to product expiry.

Operations - Warehousing and Distribution

Operations form the foundation upon which Wholesale, Pharma, Diagnostics, Consumer and Physical Distribution divisions build their sales and market share. Products are procured, stored, controlled and distributed in accordance to ISO 9001:2008 quality standards and industry wide Good Distribution Practice. In 2012, the SAP ERP system was further upgraded in order to manage higher transactional volumes, generation of reports for principals and quicker targeted data analysis. Moving ahead, effort and resources will be expended in the direction of improving Key Performance Indicators, including Inventory Turnover Days, Inventory Accuracy Targets, On Time Deliveries and Internal and External Compliance Audits. In keeping with the Group's Sustainability Statement, Operations places special emphasis on 3R's: Reducing energy consumption, Reusing by decreasing reliance on disposable items and Recycling waste.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Singapore Operations

Apex Pharma Marketing Pte Ltd ('APS') in Singapore achieved another consecutive year of growth in sales revenue, improving by 10.8% to reach S$ 34 million. In the absence of major adjustments, stronger gross margins and better control over expenses, profit before tax was 60% over budget. Wholesale grew 18% over the previous year, with APS now established as the second largest pharmaceutical wholesaler in Singapore. Sales of Avevasc, the first international market for an AVEX branded product, rose 65% over 2011, as sales and marketing efforts begin to bear fruit. Consumer agency lines like Uriage, Hennaplus and Betadine performed well, and so did Physical Distribution agencies like Xepa and Amsco Healthcare.

Looking ahead, APS secured an option to purchase a stand-alone industrial building with 51,000 square feet of usable space in order to support anticipated growth. Products under sales and marketing will increase in 2013, with focus placed on higher margin and own brand Group products. Additional resources have been allocated to regulatory affairs in order to ensure the pipeline of new products for the Singapore market remains full.

Indonesian Operations

The Group has an effective interest of 19% in PT Penta Valent, Indonesia, a nation-wide distributor of pharmaceutical and consumer healthcare products with 34 branches throughout the country. In 2012, the company achieved record revenues of IDR 1.1 Trillion for the first time, driven by a growth in the number of distribution principals and better sales coverage in key markets.

CORPORATE

Apex Retail

The Group currently operates two retail pharmacy outlets under the 'Apex Pharmacy' retail banner in Malaysia. The first outlet opened by Mr Kee Tah Peng. the Founder in 1962 remains in business at the exact same location today, along Jalan Munshi Abdullah in Melaka. The second outlet opened in 2010 in City Square Mall, Johor Bahru continues to perform exceptionally well. Retail revenue from both outlets grew by 20% over the previous year to reach RM 5.9 million with an improved daily customer count of 271 from 240 previously at the City Square outlet.

Retail pharmacy operations are thought of within the Group as an important heritage and its continued service to frontline pharmacy customers is a valuable reminder to current staff and employees of the roots and traditions of the Apex Group.

Group Properties

Apart from the pharmaceutical plant owned by Xepa and the Subang Jaya warehouse owned by APM, all of the other Group's properties located within Malaysia are owned and managed by its wholly owned subsidiary company, Apex Pharmacy Corporate Sdn Bhd ('APC'). These are mainly properties which have been acquired for use by the Group's businesses and leased to them at commercial rates. Properties which become surplus to the needs of the Group are rented out to third parties and will be divested at an appropriate time. Income from rentals to external parties amounted to RM 333,269 in 2012. During the year, a terraced shoplot in Taman Peringgit, Melaka was divested for RM 220,000 as it was deemed to be a surplus to requirements.

New Ventures – Orthopaedics Manufacturing

Orthopaedic components (e.g. screws, plates, implants, intra-medullary nails, pins, external fixators) are used in the surgical treatment of musculoskeletal disorders resulting from trauma, disease, injuries or deformities. The global market of orthopaedic components was worth RM 130 billion in 2011. 80% of these devices are consumed in the developed markets of USA, Europe

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

and Japan. Currently, the global market is largely dominated by ten multinational orthopaedic companies. However, due to rising costs, these companies are relying increasingly on certified contract manufacturers outside Western Europe and the United States for production.

In January 2013, Apex Healthcare capitalised on this opportunity by establishing a joint venture with 40% equity in ABio Orthopaedics Sdn Bhd ("AO") to contract manufacture orthopaedic components for multinational clients. This joint venture provides a good opportunity for the Group to secure entry into the business of manufacturing orthopaedic devices for the global market with an experienced and proven partner. In addition, the joint venture enables Apex Healthcare to add a new engine of growth in addition to its existing pharmaceutical manufacturing and distribution businesses, increasing opportunities while diversifying risk.

An 80,000 square feet factory in Prai Industrial Estate, Butterworth, has been leased and renovations are in progress. Production equipment will be progressively installed from March 2013 and staff recruitment and training is in progress. It is anticipated that manufacturing activities can commence by the second quarter of 2013. On 5th March 2013, AO was officially endorsed as an Entry Point Project under the Healthcare National Key Economic Area under PEMANDU.

PROSPECTS

The Group has a clear business model built on a well-defined strategic direction and business objective, which has been consistently pursued and executed. Over time, business processes continue to be refined and improved upon, enabling the Group to progressively grow revenue, improve gross margins, control operating expenses, invest systematically in capital assets and talent development, manage cash-flow and pay dividends on a regular basis. The strength of the Group's financial position is testament to our chosen approach to business.

In 2011, the Malaysian pharmaceutical industry was estimated to be worth RM 5 billion for prescription and OTC medicines. According to industry analyst IMS, the industry is expected to experience a compounded annual growth rate of 9.5% for the period 2009 - 2014, by the end of which it should be worth RM 5.4 million[2]. The prospects continue to be positive, supported by continued focus on reducing healthcare costs with increased use of generic drugs, increasingly affluent demographics requiring home-based diagnostics, quality medicines and consumer healthcare products and the rising healthcare needs of an ageing population.

This steady growth in demand for healthcare products remains the foundation of the core businesses of Apex Healthcare, and the Group is well positioned to enjoy this growth and capitalise on new opportunities that may arise.

Reference:

1. *The Third National Health and Morbidity Survey (NHMS III) 2006.*
2. *PhAMA Industry Fact Book 2012*

Corporate Milestones

The evolution of the APEX IDENTITY

1962 ▸ 1989 ▸ 1999

1962 :
Kee Tah Peng established the first Apex Pharmacy in Jalan Munshi Abdullah, Melaka. The store is still operating today

1967 :
Generic pharmaceutical manufacturing established in Singapore

1974 :
Generic pharmaceutical manufacturing relocated to Ayer Keroh Industrial Estate, Melaka as Xepa-Soul Pattinson

1995 :
Xepa-Soul Pattinson relocated to its new plant in Cheng Industrial Estate, Melaka

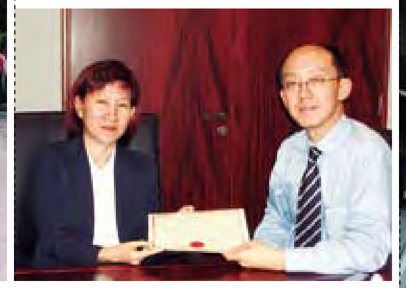
2000 :
Apex Healthcare Berhad listed on KLSE Second Board on 26 June 2000

2003 :
Apex Healthcare Berhad transferred to KLSE Main Board on 15 August 2003

2002 :
ISO 9001:2008 certification for Xepa-Soul Pattinson (Malaysia) Sdn. Bhd.

2003 :
Ground Breaking Ceremony for the new Apex Pharma Centre in Subang Jaya on 21 October 2003

2005
Acquisition of Singapore pharmaceutical distributor Grafton Pharmasia Pte Ltd, now renamed Apex Pharma Marketing Pte Ltd



2005 :
Soft opening of Apex Pharma Centre.

2005 :
Acquisition of 25% equity interest in pharmaceutical group Xiamen Maidiken Science & Technology Co., Ltd. China

2007 :
Acquisition of 20% equity interest in Indonesia pharmaceutical distributor PT Penta Valent

2008 :
Equity interest increased to 32.4% in Xiamen Maidiken Science & Technology Co., Ltd.

2008
Official Opening of Xepa-Soul Pattinson's new Liquids Pharmaceutical Plant

2008 :
Official opening of Apex Pharma Centre, housing head offices and specialised pharmaceutical warehouse facilities

2010 :
Retirement of the founder, Kee Tah Peng, as Group Chairman

2010 :
ISO 9001:2008 certification for Apex Pharmacy Marketing Sdn. Bhd.

2012 :
Signing of Memorandum of Understanding for ABio Orthopaedics Sdn Bhd

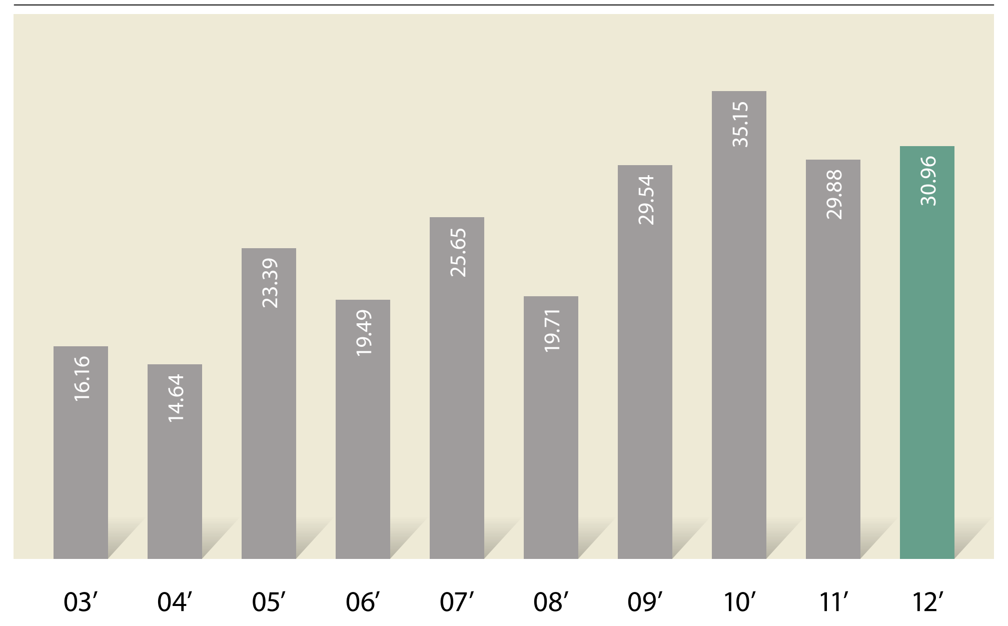
2010 :
Xepa-Soul Pattinson's representative office established in Ho Chi Minh

2011 :
Divestment of investment in Xiamen Maidiken Science & Technology Co., Ltd. China

2010 :
Opening of retail pharmacy outlet in City Square, Johor Bharu

1962 1974 1995 2000 2003 2005 2007 2008 2010 2012

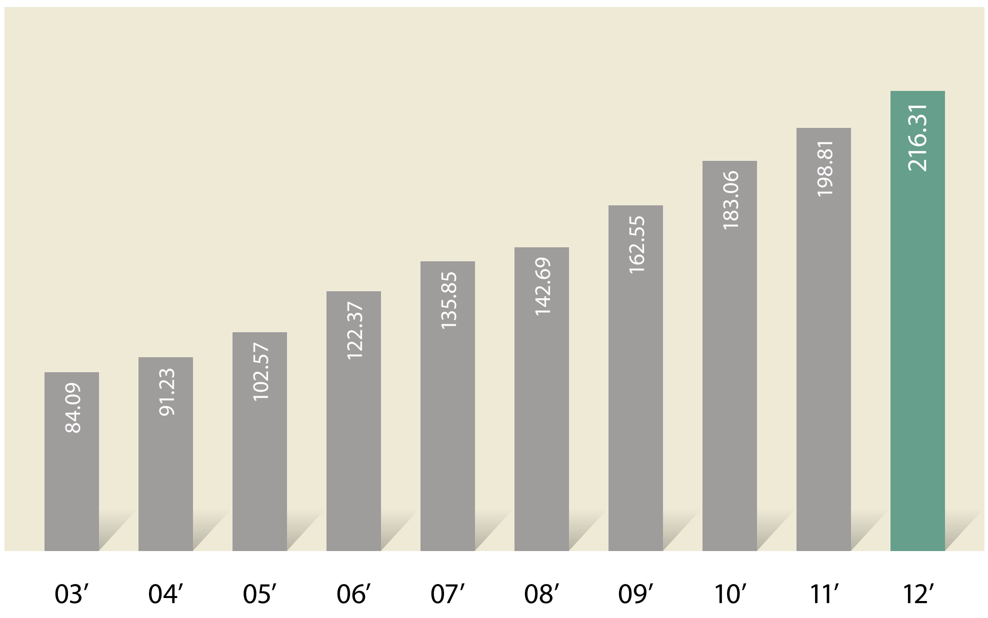
Earnings per Share



30.96
sen

Shareholders' Funds

RM
216.3
million

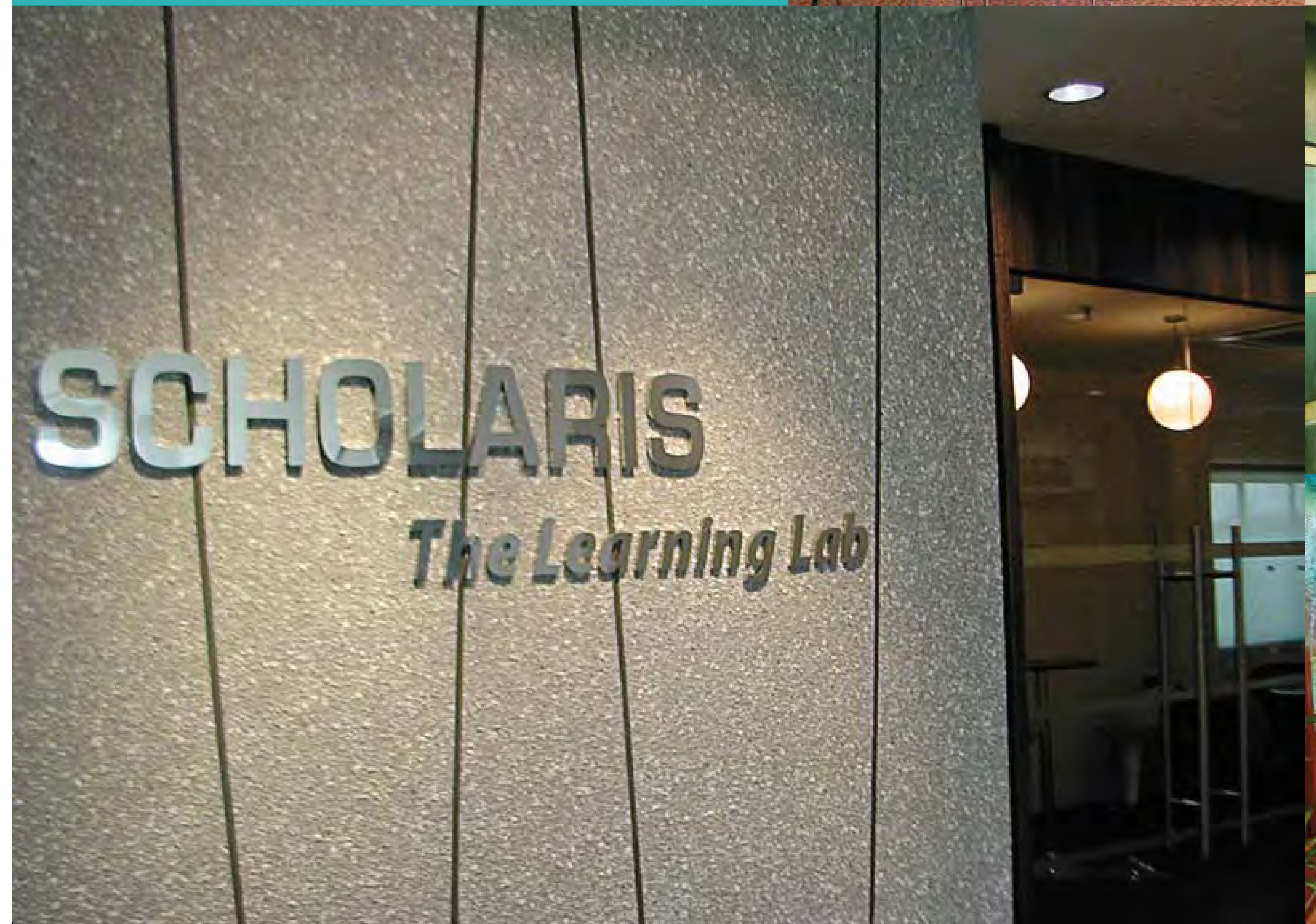


VALUES

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.



MISSION

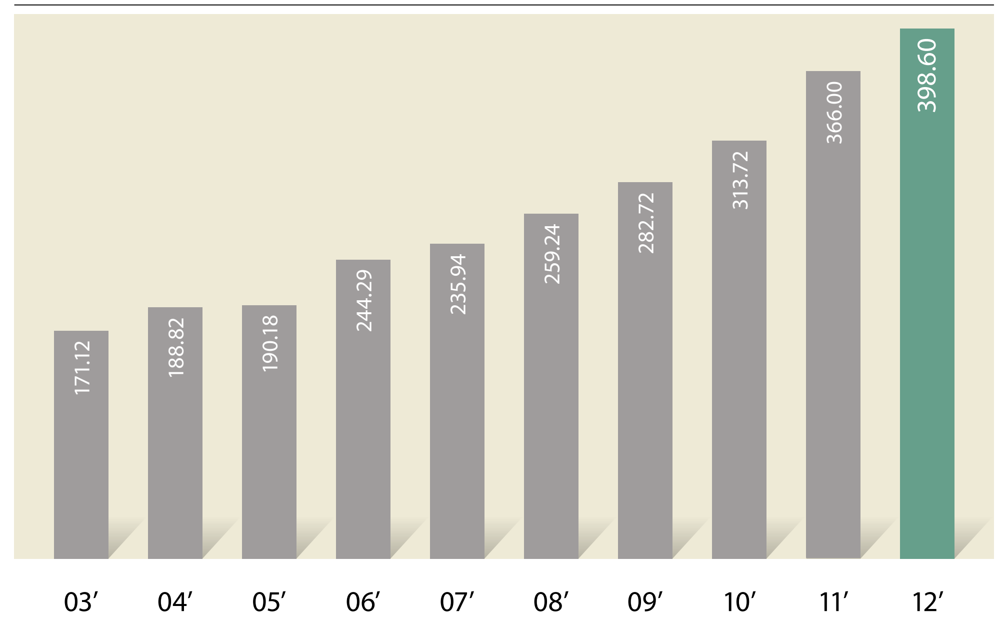
Restoring Health, Enhancing Life

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.

Ten-Year Financial Highlights

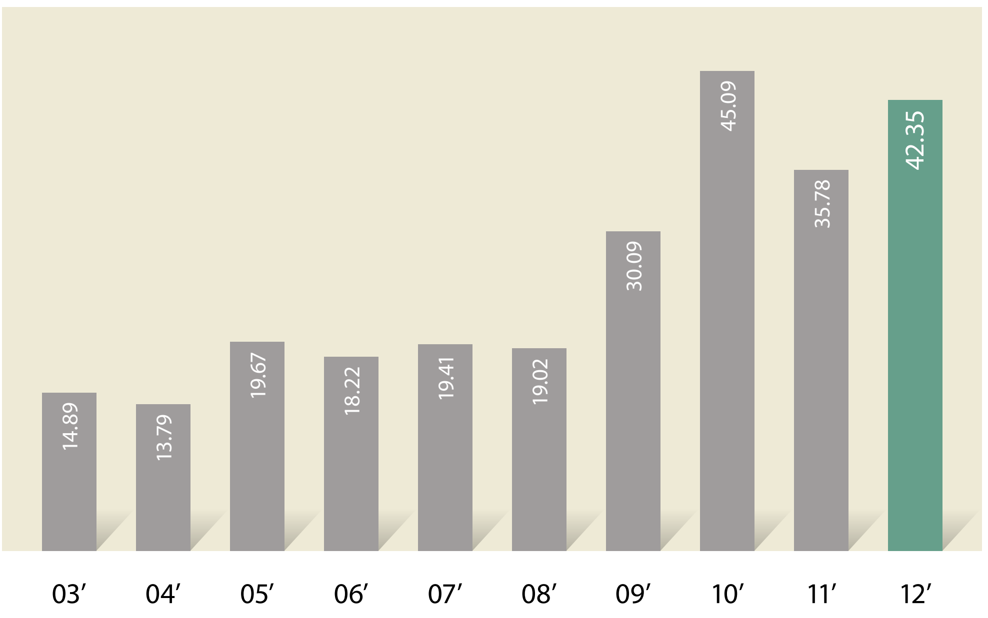
Revenue

RM
398.6
million



Profit before Tax

RM
42.3
million



apex
YEARS OF EXCELLENCE IN SERVICE
1962-2012

DIRECTORS' INFORMATION

Dr Kee Kirk Chin
Chairman and CEO

Dr Kee Kirk Chin, 51, 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 of 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 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, later 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.

He is the son of Kee Tah Peng. He is deemed to be a substantial shareholder of the Company as he is a substantial shareholder and Director of Apex Pharmacy Holdings Sdn Bhd, which holds 40.5% equity in the Company. He does not have any other family relationships with any other director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2012. He has had no convictions for any offences within the past 10 years.

Kee Tah Peng @ Hee Teck Peng
Non-Independent Non-Executive Director

Kee Tah Peng @ Hee Teck Peng, 82, a Singaporean, was appointed to the Board on 15th February 2000 and as Executive Chairman of the Company on 3rd March 2000. He became Non-executive Chairman of the Company on 1st January 2003 and retired as Chairman on 19th May 2010. He graduated with a Pharmaceutical Chemist Certificate issued by the Pharmacy Board of New South Wales, Australia from University of Sydney, Australia in 1958. He started his career as a pharmacist with Federal Dispensary, Singapore, a pharmaceutical retailer and wholesaler. In 1962, he left to establish Apex Pharmacy Sdn Bhd and Xepa-Soul Pattinson (Malaysia) Sdn Bhd in Melaka, eventually becoming the Group Managing Director.

He is the father of Dr Kee Kirk Chin. He is deemed to be a substantial shareholder of the Company as he is a substantial shareholder and director of Apex Pharmacy Holdings Sdn Bhd, which holds 40.5% equity in the Company. He does not have any other family relationships with any other director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2012. He has had no convictions for any offences within the past 10 years.

DIRECTORS' INFORMATION (cont'd)

Robert Dobson Millner
Non-Independent Non-Executive Director

Robert Dobson Millner, 62, an Australian, was appointed as a Non-Independent Non-Executive Director of the Company on 23rd February 2000 and is currently chairman of the Remuneration Committee. He was a farmer and grazier prior to joining the Board of Washington H Soul Pattinson & Co Limited ("WHSP") in 1984, a company listed on the Australian Stock Exchange with principal activities in properties, coal mining, bulk handling, manufacturing, wholesaling and retailing of pharmaceutical products, and reconstitution and extrusion of polyethylene. He was appointed Deputy Chairman of WHSP in 1997, becoming its Chairman in 1998. He is also the Chairman of Brickworks Limited, 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 2012. He has had no convictions for any offences within the past 10 years.

Jackson Chevalier Yap-Kit-Siong
Non-Independent Non-Executive Director

Jackson Chevalier Yap-Kit-Siong, 61, a Singaporean, was appointed as a Non-Independent Non-Executive Director of the Company on 15th February 2000. He is currently the Chairman of the Nomination Committee. He graduated with a Bachelor of Engineering with Honours from University of Auckland, New Zealand in 1974 under a Colombo Plan Scholarship. He worked in various technical and management positions in the oil and gas sector with several multinational corporations before joining United Engineers Limited ("UEL") as Chief Operating Officer. Currently he is the Group Managing Director and Chief Executive Officer of UEL, a company listed on the Singapore Stock Exchange, whose principal activities are in the construction and engineering of buildings, properties and environmental projects.

He is a director of Apex Pharmacy Holdings Sdn Bhd, which holds 40.5% equity in the Company. Save as disclosed above, he does not have any other family relationships with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2012. He has had no convictions for any offences within the past 10 years.

DIRECTORS' INFORMATION (cont'd)

Leong Khai Cheong
Senior Independent Non-Executive Director

Leong Khai Cheong, 61, a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 18th February 2000 and as Senior Independent Non-Executive Director on 24th August 2005. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. He is a Fellow of the Association of Chartered Certified Accountants, UK, a Certified Public Accountant, Singapore, as well as a member of the Malaysian Institute of Accountants. He holds associate membership of the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators. He held various senior positions in George Kent (M) Bhd and United Engineers Limited, which are companies listed on the Stock Exchanges of Malaysia and Singapore respectively. He is currently a Director of a private Malaysian company involved in the manufacture and assembly of engineering and other equipment and provision of engineering services for the water industries. He was appointed a Director on the Board of Ogawa World Berhad on 8th February 2007.

He does not have any family relationship with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2012. He has had no convictions for any offences within the past 10 years.

Dr Ahmad Kamal bin Md Alif
Independent Non-Executive Director

Dr Ahmad Kamal bin Md Alif, 66, a Malaysian, was appointed as Independent Non-Executive Director of the Company on 23rd May 2001. He is member of the Audit and Nomination Committees. He graduated with an M.B.B.S. in 1972 from the University of Malaya's Faculty of Medicine and trained as a radiologist at the Royal Free Hospital, London under a Colombo Plan scholarship from 1975 to 1978. He is a Fellow of the Royal College of Radiologists (England) and a member of the Academy of Medicine (Malaysia). He was appointed as Assistant Lecturer, Faculty of Medicine UKM, in 1973, eventually becoming Associate Professor and Head of the Department of Radiology UKM in 1978. He was also the Deputy Dean, Faculty of Medicine, UKM, from 1982 – 1983. He left for private practice in 1984. He was appointed a Director on the Board of Ogawa World Berhad on 8th February 2007.

He does not have any family relationship with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2012. He has had no convictions for any offences within the past 10 years.

Mae Heng Su-Ling
Independent Non-Executive Director

Mae Heng Su-Ling, 42, a Singaporean, was appointed as Independent Non-Executive Director of the Company on 20th November 2008. She is a Certified Public Accountant and a member of the Audit and Remuneration Committees. She graduated with a Bachelor of Accountancy from Nanyang Technological University, Singapore in 1991 and is a member of the Institute of Certified Public Accountants Singapore (ICPAS). She has over 16 years of experience in an audit, corporate finance and business advisory environment with the largest accounting firm in Singapore, Ernst and Young. 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 was appointed an Independent Non-Executive Director of Ossia International Ltd on 27th April 2010. She was also appointed an Independent Non-Executive Director and Chairman of the Audit Committee of AsiaTravel.com Holdings Limited on 27th April 2012. Both companies are listed on the Singapore Exchange.

She attended all of the four Board Meetings held in the financial year ended 31st December 2012. 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 has had no convictions for any offences within the past 10 years.

Apex Healthcare Berhad

APEX brings the best pharmaceutical **B**RANDS through our comprehensive **C**HANNELS to our valued customers

The ABC Vision

Strengthening Growth

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Company subscribes to the ideals of good Corporate Governance and fair dealing in all its activities with a view to increasing shareholder 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 ('Code') in 2000, and its revision in 2007, the Company has taken conscious steps and made efforts to adopt the principles and recommendations of the Code in its operations. With the launch of the revamped 2012 Malaysian Code on Corporate Governance, it has again undertaken a review of its corporate governance framework and initiated changes to embrace the eight principles and 26 recommendations.

This statement thus describes the position of the Company in regard to each of the eight principles and twenty six recommendations made in the latest Code, noting and explaining exceptions as they arise.

APPLICATION OF PRINCIPLES AND RECOMMENDATIONS

Principle 1: Establish Clear Roles and Responsibilities

1.1 The board should establish clear functions reserved for the board and those delegated to management.

The Board of Directors is elected by the shareholders and is the highest decision-making body of the Company other than a general meeting of the shareholders themselves.

The Board has established a Board Charter. Among the matters set out in the Charter are the role and responsibilities of the Board and Chief Executive Officer ("CEO"), setting of corporate objectives, establishment of performance targets and long-term goals of the Company to be met by the CEO. The Charter also specifies matters reserved exclusively for Board approval. The Board periodically reviews the content of its Charter in order to ensure the needs of the Company are consistently met.

1.2 The board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions.

The Code divides these into topics which are addressed individually as follows:

<u>Reviewing and adopting a strategic plan for the company</u>

The Board considers, and after discussion and amendment as required, approves strategic multi-year plan proposed by management. Specifically, the Board reviews and challenges management's proposal on strategic business plans for each business unit annually or more frequently should the need arises.

<u>Overseeing the conduct of the company's business</u>

The Board Charter explicitly specifies that the Board's role includes oversight and appraisal of the Company's strategies and policies and monitoring management's implementation of them. The Board meets quarterly and tracks targets approved by the Board in the furtherance of strategic and other plans. Monthly management reports are made available for the perusal of Board members.

<u>Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures</u>

Risk Assessment is carried out annually by Senior Management in consultation with the Internal Auditors to identify key risks and devise measures to address these risks. The Risk Assessment report is then reviewed by the Audit Committee and finally by the Board itself before adoption.

The monitoring of risks is carried out by Management at their respective monthly management meetings. Any variation and developments are reported to the CEO and Chief Financial Officer ("CFO") and subsequently to the Audit Committee on a periodic basis.

CORPORATE GOVERNANCE STATEMENT (cont'd)

Succession planning

Succession planning is provided for in both the Board Charter and the Terms of Reference of the Nomination Committee. A succession plan has been drawn up for three levels of senior management in all the Group's operating subsidiaries and is reviewed by the Board periodically.

Overseeing the development and implementation of a shareholder communications policy for the company

The Board values dialogue with both institutional and individual shareholders, and has made it a Company Policy to recognise that timely and equal dissemination of relevant information should be made to all shareholders and stakeholders without favouring any. Management meets with shareholders and investment analysts from time to time to explain the Group's strategy, performance and major developments, and receive feedback. Shareholders' concerns may be directed to the Senior Independent Non-Executive Director, via the Company Secretaries.

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

The Company's website has contact details for shareholders' comments, which are reviewed by the Senior Independent Director and CEO.

Reviewing the adequacy and the integrity of the management information and internal controls system of the company

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

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

The Internal Audit function has been outsourced to an external service provider, Audex Governance Sdn Bhd. The Internal Auditors meet with the Audit Committee several times a year, including meetings where management is not present. The Internal and External Auditors are unrelated parties.

Further information may be found in the Statement on Risk Management and Internal Control published annually in the Group's Annual Report.

1.3 The board should formalise ethical standards through a code of conduct and ensure its compliance.

The Founding Values of the Apex Healthcare Group were "Service, Quality and Integrity" and these have been enshrined in the Group's Code of Conduct.

Individual operating subsidiaries have more detailed Employee Handbooks which specify detailed obligations of employees. These are contractual obligations and are drawn up to meet the specific needs of the businesses and the legal requirements of the countries in which the businesses are based.

The Company has put in place a whistle-blowing policy and a summary of the Code of Conduct is viewable on the Company's website: www.apexpharmacy.com.

1.4 The board should ensure that the company's strategies promote sustainability.

The Board reviews operational practices which impact on sustainability of environment, governance and social aspects of its business on a regular basis. In particular, the Company supports social initiatives which are in line with the philosophical underpinnings of its business viz. the Young and the Old, and Healthy Development of the Body. This has translated in practice into tangible support for youth sporting endeavours and projects which give assistance to the elderly. The Group's sustainability endeavours are published on the Group's website and annual reports.

CORPORATE GOVERNANCE STATEMENT (cont'd)

1.5 The board should have procedures to allow its members access to information and advice.

Directors have comprehensive and timely access to information concerning the Company and the Group. Notice is given of Board meetings, and board papers with supporting documents, presentations and materials detailing Group performance and operational, financial and corporate matters, are circulated to Directors, normally at least seven days in advance of Board Meetings to ensure that Directors have sufficient time to study them and be prepared for discussion. Comprehensive minutes of Board meetings are maintained and circulated to Directors. Formal channels are usefully augmented and supplemented by regular informal dialogue between non-executive members of the Board and management on matters relating to the Company's business. Directors are entitled to request and receive supplementary information in order to be fully briefed before the meeting.

Directors have access to the advice and services of the Company Secretaries and the senior Management staff in the Group, and are entitled to seek independent professional advice at the Company's expense through an agreed procedure in the proper discharge of their duties as spelled out in the Board's Charter.

1.6 The board should ensure it is supported by a suitably qualified and competent company secretary.

It is the Board's responsibility to retain the services of a competent Company Secretary. In addition to the internal Company Secretary, currently the Group's CFO, the Board has also appointed a second external Company Secretary in order to deepen availability of resources and experience. The Board is assisted by the Nomination Committee in the appointment and assessment of the Company Secretary, as specified in that committee's Terms of Reference.

1.7 The board should formalise, periodically review and make public its board charter.

The Board Charter was formalised in November 2012 and will be reviewed from time to time to ensure that it remains current and relevant. The Board Charter is displayed on the company website: www.apexpharmacy.com

Principle 2: Strengthen Composition

2.1 The board should establish a Nominating Committee which should comprise exclusively of Non-Executive Directors, a majority of whom must be independent.

The Nomination Committee was established in 2001 and comprises Non-Executive Directors, a majority of whom are Independent Directors. The responsibility of the Nomination Committee in overseeing the selection and assessment of directors is stipulated in its Terms of Reference, which is included in the Annual Report.

The Chairman of the Nomination Committee is a Non-Executive Director and not the Senior Independent Director as recommended by the Code. As the Senior Independent Director is already the Chairman of the Audit Committee, the Board believes that this arrangement allows for more equitable sharing of the work of the Directors and avoids disproportionate concentration of responsibilities and duties on a single Director.

2.2 The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors.

The Nomination Committee's Terms of Reference specifies in some detail the duties and functions of the Committee, which relate to the recruitment of Directors and the criteria used in their selection, taking into account also the overall effectiveness of the Board.

The Board embraces diversity amongst its members and has ensured a good representation of the relevant skills and experience for the discharge of its duties. Its policy towards boardroom diversity is above all, to be non-discriminatory with regards to gender, race or religion, and only considering relevant qualifications, ability and commitment when proposing candidates for shareholders' approval.

The Board considers its current size and composition as ideal. Further changes to the gender ratio of the Directors will be guided by the policy stated above. The Board notes that Ms Mae Heng Su-Ling was appointed a Director in 2008, well before the promulgation of the 2012 Code.

CORPORATE GOVERNANCE STATEMENT (cont'd)

2.3 The board should establish formal and transparent remuneration policies and procedures to attract and retain directors.

The Remuneration Committee was established in 2001 and the task of establishing formal and transparent remuneration policies for Directors is specified in its Term of Reference, which has also been regularly published in the Group's Annual Report. The Remuneration Committee reviews the remuneration of Directors at least once annually, making proposals for change where required, before seeking Board endorsement and subsequent shareholders' approval where applicable.

Principle 3: Reinforce Independence

3.1 The board should undertake an assessment of its Independent Directors annually.

The Board has adopted the legal and regulatory definition of Independent Directors as specified in the Listing Requirements of Bursa Malaysia. The Nomination Committee is specifically tasked to assess the independence of Independent Directors upon admission, annually and when any new interest or relationship develops. The Board will confirm that such assessment has been conducted in the annual report and in any notice convening a general meeting for the appointment and re-appointment of Independent Directors.

3.2 The tenure of an Independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

This is addressed under point 3.3.

3.3 The Board will justify in the notice convening the annual general meeting and submit for shareholders' approval the retention of all Independent Directors who have served the Company for an aggregate of more than nine years at every annual general meeting.

All Independent Directors who have served the Company for an aggregate of more than nine years will submit themselves to re-election at every Annual General Meeting.

3.4 The positions of Chairman and CEO should be held by different individuals, and the Chairman must be a Non-Executive member of the board.

The functions of Chairman and CEO are currently combined. The Board is of the opinion that no single person has excessive powers of decision as:

- Board decisions are dependent on the consensus of the Directors, who take an active interest in all major and strategic decisions of the Group.
- three of the seven Board members are Independent, and supply a strong independent element to the decision-making process;
- the Senior Independent Director avails himself to address shareholders' concerns and is a useful counterbalance in decision-making;
- no single shareholder controls an absolute majority of the voting shares, and while Non-Independent Directors enjoy a good degree of consensus as to the best interests of the Company, agreement is not regarded as a foregone conclusion.

3.5 The board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

The Company has not adopted this recommendation as the Board considers that the mix of Directors at this point well and fairly represents all shareholders, has a strong independent element, and maintains a reasonable and compact Board size. At this time, the Board comprises the CEO, three Non-Independent Non-Executive directors and three Independent Directors. The Board also notes that none of the substantial shareholders has an absolute majority of shareholdings in the Company.

Principle 4: Foster Commitment

4.1 The board should set out expectations on time commitment for its members and protocols for accepting new directorships.

All Directors are expected to devote sufficient time to carry out their responsibilities and are required to notify the Chairman before accepting any new directorships.

4.2 The board should ensure its members have access to appropriate continuing education programmes.

In addition to continuing education which the Directors undertake in the course of their activities outside the Company, the Company from time to time arranges appropriate and relevant courses and talks for Directors in-house, details of which are disclosed in the report of the Nomination Committee. The requirement to undertake continuing education is built into the Board Charter and the training undertaken by the Directors are reviewed by the Nomination Committee annually.

CORPORATE GOVERNANCE STATEMENT (cont'd)

Principle 5: Uphold Integrity In Financial Reporting

5.1 The Audit Committee should ensure financial statements comply with applicable financial reporting standards.

The requirement is built into the Terms of Reference of the Audit Committee, which states particularly that the Committee should review financial statements focussing particularly on, among other things, "compliance with accounting standards and other legal requirements".

5.2 The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors.

The Audit Committee is delegated the task of assessing whether the External Auditors are suitable for reappointment, of which competence and independence are key considerations. This is spelt out in the Terms of Reference of the Audit Committee.

Principle 6: Recognise And Manage Risk

6.1 The board should establish a sound framework to manage risks.

The Board affirms its overall responsibility for the Group's risk management and for reviewing the adequacy and integrity of the Group's risk management framework which encompasses all subsidiaries of the Group.

6.2 The board should establish an internal audit function which reports directly to the Audit Committee.

The Company outsources the internal audit function as being currently the most cost effective means of implementing an internal audit function. The provider of internal audit services is Audex Governance Sdn Bhd, which reports directly to the Audit Committee as specified by the Terms of Reference of that Committee.

Principle 7: Ensure Timely And High Quality Disclosure

7.1 The board should ensure the company has appropriate corporate disclosure policies and procedures.

The Board ensures that the Company complies with all applicable corporate disclosure laws and regulations.

7.2 The board should encourage the company to leverage on information technology for effective dissemination of information.

The Board supports the use of information technology for the effective dissemination of information. The Company has established a website at www.apexpharmacy.com which has served as a useful reference source of information to many shareholders, investment analysts, business partners and other stakeholders. In addition to publishing financial results, annual reports and business information, the website has dedicated Corporate Governance sections which include the Board Charter, Code of Conduct and Whistle-Blowing Policy.

Principle 8: Strengthen Relationship Between Company And Shareholders

8.1 The board should take reasonable steps to encourage shareholder participation at general meetings.

The Board values the participation of shareholders at General Meetings and recognises their contributions as valuable feedback for the conduct of the Group's businesses. Where practical, the Board will serve notices for meetings earlier than the minimum notice period. The Annual General Meeting of the Company has been held in the second half of May at the same venue every year since it became a listed company.

8.2 The board should encourage poll voting.

The Board is of the opinion that the number of shareholders and level of attendance at general meetings do not warrant the introduction of poll voting for all resolutions. However, the Board notes that poll voting may be mandated by the regulators for resolutions relating to defined situations, and in such circumstances, poll voting will be carried out. This apart, the Chair may also call for poll voting for other substantive resolutions.

8.3 The board should promote effective communication and proactive engagements with shareholders.

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

Management meets with shareholders and investment analysts from time to time to explain the group's strategy, performance and major developments, and to receive feedback. Board members and senior management are very pleased to interact and converse with shareholders at general meetings and other events within the bounds of propriety.

Shareholders' concerns may be directed to the Senior Independent Non-Executive Director, via the Company Secretaries.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management & Internal Control is made pursuant to Para 15.26 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the Main Market with regards to the Group's state of internal control.

The Board of Directors ("the Board") of Apex Healthcare Berhad ("APEX" or "the Company") is pleased to present below its Statement on Risk Management & Internal Control as a Group for the financial year under review, prepared in accordance with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines") and taking into consideration the recommendations underling Principle 6 of the Malaysian Code on Corporate Governance 2012.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of risk management and internal control, and for reviewing the adequacy and integrity of the Group's risk management and internal control system. The Board's responsibility in relation to the system of risk management & internal control embedded in all aspects of the Group's activities which encompasses to all subsidiaries of the Company.

The Board has received assurance from the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

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

KEY FEATURE OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The responsibility for reviewing the adequacy and integrity of the risk management and internal control system has been delegated by the Board to the Audit Committee. On a periodic basis, the Audit Committee assesses the adequacy and integrity of the risk management and internal control system through independent reviews conducted and reports it received from the internal audit function, the external auditors and Management. Significant risk management and internal control matters were brought to the attention of the Audit Committee. The Audit Committee then in turn reports such matters to the Board, if the Audit Committee deems such matters warrant the Board's attention.

Key elements of the Group's risk management and internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:

1. **Control Environment**

   - **Policies & 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 & 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.

   - **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 operations 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 CEO, CFO and the respective business units' management teams to run and manage the operations and businesses of the Group in an effective and efficient manner.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

The CEO, CFO 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 have 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 will be reviewed periodically. This is to ensure that business operations and performance will not be adversely affected by the departure of any key personnel.

2. Risk Management Framework

The Board acknowledges that the Group's business activities involve some degree of risk and Key Management staff and Head of Departments are delegated with the responsibility to manage identified risks within defined parameters and standards.

During the financial year under review, Management with the assistance of external consultants have updated the Group's key risk profiles. The results of the above risk management update exercise were presented to the Audit Committee on 22 May 2012. Risks identified were prioritized in terms of the possibility of their occurrence and their impact on the Group's business objectives/goals. This allows Management to allocate appropriate resources in the mitigation of such risks identified.

The abovementioned practices and initiatives by Management serves as the on-going process used to identify, evaluate and managed significant risks.

3. Internal Audit Function

The Group's internal audit function is outsourced to a professional services firm who provides the Audit Committee and the Board with the assurance on the adequacy and integrity of the Group's system of risk management and internal control. The outsourced internal audit function focuses on the review of areas which are related to and aligned with the key business risks of the Group. The areas of review are set out in a three year internal audit plan, which has been reviewed and approved by the Audit Committee.

During the financial year under review, the outsourced internal audit function carried out periodic internal audit reviews in accordance with the approved internal audit plan to monitor compliance with the Group's procedures and to review the adequacy and effectiveness of the Group's system of risk management and internal control. The results of these reviews have been presented to the Audit Committee at their scheduled meetings. Follow up reviews were also conducted to ensure that the recommendations for improvement have been implemented by Management on a timely basis.

The costs incurred in maintaining the outsourced internal audit function for the financial year ended 31 December 2012 amounted to RM 93,000.

4. Information and Communication

Information critical to meeting Group's business objectives are 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.

5. Review & 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 Malaysia Securities Berhad. These are usually reviewed by the Audit Committee before they are tabled to the Board for approval.

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 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.

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 2012.

COMPOSITION OF AUDIT COMMITTEE AND ATTENDANCE RECORD

The Audit Committee currently consists of 3 members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants. Alternate Directors are not appointed as members.

The Committee met 5 times during the financial year to 31st December 2012 and the attendance record is tabulated as follows:

Director	Position	Attendance					Total
		22 Feb	17 Apr	22 May	14 Aug	20 Nov	
Leong Khai Cheong (Chairman of Audit Committee)	Senior Independent Non-Executive Director	✔	✔	✔	✔	✔	5/5
Dr Ahmad Kamal bin Md Alif	Independent Non-Executive Director	✔	✔	✔	✔	✔	5/5
Mae Heng Su-Ling	Independent Non-Executive Director	✔	✔	✔	✔	✔	5/5
		3/3	**3/3**	**3/3**	**3/3**	**3/3**	

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Constitution

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

2. Membership of the Committee

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

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

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

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

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

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

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

REPORT OF THE AUDIT COMMITTEE (cont'd)

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

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

3. Rights of the Audit Committee

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

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

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

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

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

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

3.1.6 be able to convene meetings with the External Auditors, without the presence of any employees, at least twice a year and whenever deemed necessary.

3.2 The AC shall take into cognizance in its deliberations the Listing Requirements of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance 2012, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.

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

4. Duties and Functions of the Audit Committee

4.1 The AC shall review the following and report the same to the Board of Directors:–

4.1.1 with the External Auditors, the nature and scope of the audit before commencement;

4.1.2 with the External Auditors, their evaluation of the system of risk management and internal controls;

4.1.3 with the External Auditors, the audit reports, management letters and management response;

4.1.4 the assistance given by the Company's employees and officers to the External Auditors;

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

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

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

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

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

REPORT OF THE AUDIT COMMITTEE (cont'd)

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

4.1.10 any letter of resignation from the External Auditors; and

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

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

4.3 The AC shall evaluate and assess the performance of External Auditors, including their independence.

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

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

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

4.7 The head of internal audit should report directly to the AC. For administrative and operational matters, the internal audit function will liaise with either the Chief Executive Officer ("CEO") or Chief Financial Officer ("CFO").

4.8 The Chairman of the AC should engage on a continuous basis with senior management in order to be kept informed of matters affecting the Company or Group.

4.9 The AC shall conduct meetings independently and separately from time to time with Internal and External Auditors; and

4.10 The AC shall conduct any other duties as may be assigned by the Board of Directors from time to time.

5. Attendance at Meetings

5.1 The CEO, CFO, the Head of Internal Audit and key representatives of the External Auditors shall normally attend meetings.

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

6. Procedure of Audit Committee

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

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

6.2 The AC shall meet at least 4 times a year. The AC shall meet with the External Auditors, without the presence of a employees, at least twice a year. The External Auditors may request a meeting if they consider that one is necessary.

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

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

REPORT OF THE AUDIT COMMITTEE (cont'd)

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31st December 2012, the AC in the discharge of its duties and functions carried out the following activities:

- Reviewed the Report of the External Auditors, Ernst & Young ("EY") to the AC;
- Reviewed the assistance provided by Management to the External Auditors and Internal Auditors;
- Reviewed reports of the Internal Auditors on Principal Risk Management for the Company and Group;
- Reviewed the Internal Audit report on Production and Procurement processes for Xepa-Soul Pattinson (M) Sdn Bhd ("XSP");
- Reviewed the Internal Audit report on Sales & Marketing and Inventory Distribution processes for Penang branch of Apex Pharmacy Marketing Sdn Bhd ("APM");
- Reviewed the Internal Audit report on Human Resource Management of Apex Pharma Marketing Pte Ltd ("APS");
- Reviewed the Internal Audit report on Sales and Inventory Management processes of CS Health Store Sdn Bhd ("CSHS");
- Reviewed the two year Internal Audit Plan submitted by the Internal Auditors;
- Conducted private sessions with the External and Internal Auditors in the absence of the Management;
- Reviewed the Statement on Internal Control and Report of the AC for inclusion in the Annual Report 2011;
- Reviewed drafts of quarterly and final financial statements prior to approval for release to Bursa Malaysia Securities Berhad by the Board of Directors;
- Reviewed the Year 2012 Audit Plan and Timetable with EY; and
- Reviewed and recommended to the Board the re-appointment of the External Auditors.

INTERNAL AUDIT FUNCTION

Audex Governance Sdn Bhd have been the outsourced provider of Internal Audit services to the Group since 1st January 2009. The cost incurred for Internal Audit Services in respect of Financial Year 2012 is RM 93,000.

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 CEO.

During the financial year ended 31st December 2012, the Internal Auditors undertook the following activities:

- Attended and reported to the AC at four of five AC meetings held during the year 2012;
- Conducted a Principal Risk Assessment with key Management of the Company and Group and reported the findings to the AC;
- Reviewed and reported on Production and Procurement processes of XSP;
- Reviewed and reported on Sales & Marketing and Inventory Distribution processes for Penang branch of APM and Human Resource Management of APS;
- Reviewed and reported on Sales and Inventory Management processes of CSHS; and
- Followed up on previous auditable activities of XSP 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 2012.

COMPOSITION OF REMUNERATION COMMITTEE AND ATTENDANCE RECORD

The Remuneration Committee consists of 3 members, the majority of whom are Independent Non-Executive Directors. The committee was established on 23rd May 2001. During the year under review, a meeting was held as tabulated below.

Director	Position	Attendance
		23 Feb
Robert Dobson Millner (Chairman of Remuneration Committee)	Non-Independent Non-Executive Director	✔
Leong Khai Cheong	Senior Independent Non-Executive Director	✔
Mae Heng Su-Ling	Independent Non-Executive Director	✔
		3/3

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

1. Constitution

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

2. Membership

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

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

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

3. Guiding Principles

3.1 The levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully. The component parts of remuneration should be structured so as to link rewards to corporate and individual performance, in the case of executive directors. In the case of non-executive directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular non-executive concerned.

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

3.3 The Committee shall take into cognizance in its deliberations the Listing Requirements of Bursa Malaysia Securities Berhad and the principles in the Malaysia Code on Corporate Governance 2012, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.

4. Duties and Functions of the Committee

The RC is authorised by the Board to:

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

REPORT OF THE REMUNERATION COMMITTEE (cont'd)

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

4.3 Review and determine the level of fees paid to non-executive directors, taking into consideration the fee levels and trends for similar positions in the market, time commitment required from the director (estimated number of days per year). The review has also taken into consideration any additional responsibilities undertaken by the director acting as Chairman of a Board Sub-Committee or as the Senior Independent Non-Executive Director.

4.4 Review and execute the renewal of the Consulting Agreement with the Founder as a Non-Executive Director.

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

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

ACTIVITIES OF THE REMUNERATION COMMITTEE

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

- Assessed the performance of the Chief Executive Officer and determined his performance bonus for Financial Year 2011 and adjustments to salary for Financial Year 2012;

- Reviewed and approved the recommendations of the Chief Executive Officer in respect of performance bonuses for Financial Year 2011 and salary adjustments for Financial Year 2012 for Senior Management of Apex Healthcare Berhad Group;

- Reviewed and approved Key Performance Indicators for Financial Year 2012 for the Chief Executive Officer and Group's Senior Management;

- Reviewed published reports of Directors' Fees and Remuneration of publicly listed companies in Malaysia and recommended adjustments to Directors' Fees for Financial Year 2012; and

- Approved the Renewal of the Consulting Agreement with Mr Kee Tah Peng and the Service Agreement with Mr Ki Tak Sang.

DIRECTORS' REMUNERATION

The remuneration of the Directors is presented in bands of RM 50,000 for Financial Year 2012 in the table below:

Remuneration Band	Non-Executive Directors	Executive Director
Below RM 100,000	4	-
RM 100,001 to RM 150,000	1	-
RM 250,001 to RM 300,000	1	-
RM 2,000,001 to RM 2,050,000	-	1

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

Analysis of Remuneration	Executive Director RM	Non-Executive Directors RM	Total RM
Fees	60,000	390,000	450,000
Salaries & other emoluments	610,470	289,575	900,045
Bonus	1,174,225	-	1,174,225
Pension costs – defined contribution plans	127,599	-	127,599
Non-monetary benefits	53,406	58,296	111,702
	2,025,700	737,871	2,763,571

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 2012.

COMPOSITION OF NOMINATION COMMITTEE AND ATTENDANCE RECORD

The Nomination Committee consists of 3 members, the majority of whom are Independent Non-Executive Directors. The committee was established on 23rd May 2001 and during the year under review met on 23rd February 2012. All members were present.

Director	Position	Attendance
		23 Feb
Jackson Chevalier Yap-Kit-Siong (Chairman of Nomination Committee)	Non-Independent Non-Executive Director	✔
Leong Khai Cheong	Senior Independent Non-Executive Director	✔
Dr Ahmad Kamal bin Md Alif	Independent Non-Executive Director	✔
		3/3

TERMS OF REFERENCE OF NOMINATION COMMITTEE

1. Constitution

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

2. Membership

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

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

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

3. Principle

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

3.2 The NC shall take into cognizance in its deliberations the Listing Requirements of Bursa Malaysia Berhad and the principles of the Malaysia Code of Corporate Governance 2012, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.

4. Duties and Functions of the Committee

The NC shall:

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

- skills, knowledge, expertise and experience;
- professionalism;
- integrity; and
- in the case of candidates for independent directors, ability to discharge the responsibilities and functions expected of Independent Non-Executive Directors.

4.2 Consider in making its recommendations, candidates for directorship proposed by the Chairman and, within the bounds of practicality, by any other Senior Executive, Director or Shareholder.

REPORT OF THE NOMINATION COMMITTEE (cont'd)

4.3 Assess annually the effectiveness of the Board as a whole, the Committees of the Board, individual Directors including Independent Non-Executive Directors, as well as the Chief Executive Officer, and the Company Secretaries through a process to be implemented by the Board. All assessments and evaluations carried out by the NC in the discharge of all its functions should be properly documented.

4.4 Assess the independence of the Independent Directors upon admission, annually and when any new interest or relationship develops and confirm the conduct of this assessment in the annual report of the Company and in any notice convening a general meeting seeking approval for the appointment and re-appointment of Independent Directors.

4.5 Recommend to the Board, Directors to fill the seats on other Board Committees.

4.6 Review annually the Board's required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors bring to the Board.

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

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

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

ACTIVITIES OF THE NOMINATION COMMITTEE

The activities of the Nomination Committee during Financial Year 2012 included:

- Assessment of the effectiveness and performance of the Board, Directors, Company Secretaries and Board Sub-committees for Financial Year 2011; and

- Determined the Directors to stand for re-election and re-appointment at the 2012 Annual General Meeting on 23rd May 2012.

Attendance Record at Board Meetings In Financial Year 2012

Director	Position	Attendance				Total
		23 Feb	23 May	15 Aug	21 Nov	
Dr Kee Kirk Chin	Chairman & CEO	✔	✔	✔	✔	4/4
Kee Tah Peng @ Hee Teck Peng	Non-Independent Non-Executive Director	✔	✔	✔	✔	4/4
Robert Dobson Millner	Non-Independent Non-Executive Director and Chairman of Remuneration Committee	✔	✔	✔	✔	4/4
Jackson Chevalier Yap-Kit-Siong	Non-Independent Non-Executive Director and Chairman of Nomination Committee	✔	✔	✔	✔	4/4
Leong Khai Cheong	Senior Independent Non-Executive Director and Chairman of Audit Committee	✔	✔	✔	✔	4/4
Dr Ahmad Kamal bin Md Alif	Independent Non-Executive Director	✔	✔	✔	✔	4/4
Mae Heng Su-Ling	Independent Non-Executive Director	✔	✔	✔	✔	4/4
Total Attendance		**7/7**	**7/7**	**7/7**	**7/7**	

The Secretary was present at all Board Meetings held in 2012.

REPORT OF THE NOMINATION COMMITTEE (cont'd)

DIRECTORS' TRAINING FOR 2012

The Directors of the Company had attended the following training programmes/seminars during the financial year ended 31 December 2012:

Name	Date of Training	Subject
Dr Kee Kirk Chin	3 May 2012	Impact of Amendments to Listing Requirements and Malaysian Code on Corporate Governance 2012 & Optimising IFRS Convergence
	10 May 2012	Bursa Malaysia's Advocacy Sessions on Disclosure for CEOs and CFOs
	18 June 2012	Bursa Malaysia's Half Day Governance Programme – Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012
	15 August 2012	Malaysian Code on Corporate Governance 2012
Kee Tah Peng @ Hee Teck Peng	15 August 2012	Malaysian Code on Corporate Governance 2012
Robert Dobson Millner	15 August 2012	Malaysian Code on Corporate Governance 2012
Jackson Chevalier Yap-Kit-Siong	15 August 2012	Malaysian Code on Corporate Governance 2012
Leong Khai Cheong	10 May 2012	Bursa Malaysia's Advocacy Sessions on Disclosure for CEOs and CFOs
	15 August 2012	Malaysian Code on Corporate Governance 2012
	3 October 2012	Bursa Malaysia Corporate Governance Programme 2012 – Duties of the Audit Committee
	10 October 2012	Malaysian Budget 2013 Tax Changes and The Impact on Businesses
Dr Ahmad Kamal bin Md Alif	15 August 2012	Malaysian Code on Corporate Governance 2012
Mae Heng Su-Ling	4 July 2012	Making The Most of The Chief Financial Officer Rule: Everyone's Responsibility
	15 August 2012	Malaysian Code on Corporate Governance 2012
	23 – 24 October 2012	Forensic Accounting

SUSTAINABILITY STATEMENT

Apex Healthcare Berhad ("AHB") Group has from the outset believed in serving the community in a sustainable fashion, in all aspects of its operating businesses and in a way which brings value to all stakeholders. It operates in the pharmaceutical and healthcare industry with its primary purpose, as captured in the Group's vision statement, "to restore health and enhance life for all".

Sustainability reflects striking a reasoned balance between the different and not always mutually achievable goals of economic, social and environmental responsibilities while ensuring that the Group itself prospers as a business.

Our determination to make a positive contribution extends not just to those who use our products and services, but also beyond that, to the community and the environment. Our commitment is that our business activities will be carried out in safe and healthful workplaces, will benefit the local community and be respectful of the environment which is the shared legacy of all.

ENVIRONMENT

The AHB Group's environmental policy is to minimise adverse environmental impact as far as possible while satisfying applicable regulations and standards and the requirements of running a sustainable business.

Waste Prevention, Minimisation and Disposal

AHB Group has always been conscious of the need to minimise waste generation and production inefficiency. Manufacturing operations have internal targets for product packaging, production scrap and reject reduction, and processes and products are already monitored and fine-tuned to prevent or minimize waste. Such production waste is responsibly disposed of according to strict procedures which satisfy all the stringent regulations which apply to our industry. These practices are formalised in the standard operating procedures of the manufacturing division and is regularly audited.

Likewise in our supply chain business, we strive to minimize product expiry, which leads in turn to stock obsolescence and waste, by good management of inventory. Aside from the environmental benefits, this is also good business practice. As some expiry is inevitable, such expired products are dealt with in accordance with regulations and best practices as applicable. These procedures are documented in the division's manual of operating procedures. The Group tracks internal KPIs of product expiry on a monthly basis so appropriate action can be taken to avoid unnecessary disposals and the resulting waste of resources.

Purchases of cardboard cartons are now actively monitored with a view to increasing the recycling of used cartons and eventually eradicating the need to continually purchase new cardboard carton boxes. Targets have been set to progressively reduce purchases of new cartons. The use of non-biodegradable plastic bags for delivery will be phased out in favour of environmentally friendly options.

Climate Change

AHB Group tracks energy usage by its facilities and is constantly on the lookout for means to reduce energy consumption, and not just because it is a considerable expense. The Group's manufacturing and warehouse facilities set targets for and reviews energy consumption on a regular basis.

In our logistics activities, the Group has located its warehouses to be in proximity to customers in order to minimize delivery times and distances. Delivery routings are regular fine-tuned to increase efficiency, and hence reduce fuel consumption and vehicle wear and tear.

AHB Group operates a mix of insourced and outsourced delivery services to maximise efficient and cost-effective coverage. Under Good Distribution Practice guidelines effective 2013, delivery of pharmaceutical products in general must be carried out at temperatures not exceeding 25 degrees Celsius. This requires retrofitting the delivery fleet appropriately and will entail costs as well as increasing environmental impact. The Group will actively explore ways in which the cost and impact of these requirements can be reduced.

SUSTAINABILITY STATEMENT (cont'd)

SOCIAL

The AHB Group strives to contribute to the communities in which it operates in a manner which is both sustainable and relevant to its mission, which is to restore health and enhance life.

Corporate Social Responsibility ('CSR') is about businesses doing well and doing good at the same time. CSR is about the long term strategy of aligning business strategy and operations with universal values to achieve positive and sustainable outcomes for customers, suppliers, employees, shareholders, communities, other stakeholders and as well as the environment.

AHB Group endorses this view fully. Besides providing employment to the members of the community, the Group consistently gives both in cash and in kind to good causes and institutions which serve the communities in which we operate, selected for their relevance to the Group's corporate goal of promoting health and wellness.

AHB Group has chosen to focus its social outreach efforts on specific areas of the age spectrum: the young and old. In respect of the young, the Group has given and continues to give support to young athletes under Majlis Sukan Negeri Terengganu in the sports of cycling and taekwondo. Our aim is to encourage youth in healthy, sporting and disciplined lifestyle which will stand them in good stead in future. For the old, the Group supports a variety of relevant initiatives such as elderly care facilities and health screenings.

GOVERNANCE

The AHB Group subscribes fully to the ideals of good Corporate Governance and fair dealing in all its activities with a view to increasing shareholder value, while at the same time acting in the interests of other stakeholders.

Effective governance and sustainability are increasingly important considerations for governments, organizations, business leaders, investors, consumers, and many other stakeholders throughout the world. AHB Group subscribes fully to the view that sustainability and good governance are inseparable aspects of running a responsible business model. This is addressed more fully in the AHB's Corporate Governance statement.

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 2012.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM	Company RM
Profit net of tax	29,066,580	19,039,407
Profit attributable to:		
Owners of the parent	29,012,630	19,039,407
Non-controlling interest	53,950	–
	29,066,580	19,039,407

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 other than the effects arising from first-time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework as disclosed in Note 3 to the financial statements.

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2011 were as follows:

	RM
In respect of the financial year ended 31 December 2011 as reported in the directors' report of that year:	
Final dividend of 5.0 sen gross per share less 25% tax on 93,716,875 ordinary shares, declared on 23 February 2012 and paid on 22 June 2012; and	3,514,386
Special tax-exempt dividend of 5.0 sen per share on 93,716,875 ordinary shares, declared on 23 February 2012 and paid on 22 June 2012.	4,685,846
In respect of the financial year ended 31 December 2012:	
Interim dividend of 6.0 sen gross per share less 25% tax on 93,716,875 ordinary shares, declared on 15 August 2012 and paid on 28 September 2012.	4,217,262
	12,417,494

DIRECTORS' REPORT (cont'd)

DIVIDENDS (cont'd)

At the forthcoming Annual General Meeting, final dividends comprising a 3.0 sen gross per share less 25% tax and a tax-exempt dividend of 3.0 sen per share as well as a tax-exempt special dividend of 5.0 sen per share in respect of the financial year ended 31 December 2012, on 93,716,875 ordinary shares, amounting to a dividend payable of RM2,108,630, RM2,811,506 and RM4,685,844 respectively will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

DIRECTORS

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

Dr. Kee Kirk Chin
Kee Tah Peng @ Hee Teck Peng
Robert Dobson Millner
Jackson Chevalier Yap-Kit-Siong
Leong Khai Cheong
Dr. Ahmad Kamal bin Md. Alif
Mae Heng Su-Ling

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

In accordance with Article 89 of the Company's Articles of Association, Robert Dobson Millner and Leong Khai Cheong retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 12 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 as disclosed in Note 36 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	As at 1.1.2012	Acquired	Disposed	As at 31.12.2012
Direct interest:				
Dr. Kee Kirk Chin	750,000	–	–	750,000
Kee Tah Peng @ Hee Teck Peng	256,250	–	–	256,250
Robert Dobson Millner	18,750	–	–	18,750
Jackson Chevalier Yap-Kit-Siong	18,750	–	–	18,750
Leong Khai Cheong	118,750	–	–	118,750
Dr. Ahmad Kamal bin Md. Alif	262,500	–	–	262,500
Indirect interest:				
Dr. Kee Kirk Chin	38,530,711	–	–	38,530,711
Kee Tah Peng @ Hee Teck Peng	38,568,211	–	–	38,568,211

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

The other director in office at the end of the financial year did not have any interests in shares in the Company or its related corporations during the financial year.

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 all known bad debts had been written off and that adequate allowance 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) the amount written off for 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.

OTHER STATUTORY INFORMATION (cont'd)

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

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

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

(f) In the opinion of the directors:

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

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

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 19 to the financial statements.

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 41 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 April 2013.

Dr. Kee Kirk Chin | **Kee Tah Peng @ Hee Teck Peng**

STATEMENT BY DIRECTORS

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

We, Dr. Kee Kirk Chin and Kee Tah Peng @ Hee Teck Peng, 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 47 to 114 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2012 and of their financial performance and cash flows for the year then ended.

<u>Supplementary information – breakdown of retained profits into realised and unrealised</u>

Further to the statement by directors, pursuant to Section 169(15) of the Companies Act, 1965, as above, the information set out in Note 42 on page 115 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 April 2013.

Dr. Kee Kirk Chin

Kee Tah Peng @ Hee Teck Peng

STATUTORY DECLARATION

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

I, Kwong Lien Wah, 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 47 to 115 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Kwong Lien Wah
at Melaka in Malaysia
on 16 April 2013

Kwong Lien Wah

Before me,

INDEPENDENT AUDITORS' REPORT

to the members of Apex Healthcare Berhad (In Corporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Apex Healthcare Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 47 to 114.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and 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 1965, in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 19 to the financial statements, being financial statements that have been included in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

to the members of Apex Healthcare Berhad (In Corporated in Malaysia) (cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (cont'd)

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

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

OTHER REPORTING RESPONSIBITILITIES

The supplementary information set out in Note 42 on page 115 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

1. As stated in Note 3 to the financial statements, Apex Healthcare Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 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

Yap Seng Chong
No. 2190/12/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
16 April 2013

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	6	**398,603,976**	366,001,613	**23,546,075**	19,118,828
Cost of sales/services rendered	7	**(297,465,533)**	(270,933,365)	**(2,305,515)**	(1,895,914)
Gross profit		**101,138,443**	95,068,248	**21,240,560**	17,222,914
Other income	8	**3,242,290**	1,537,462	**1,254,416**	1,499,648
Administrative expenses		**(16,303,686)**	(15,437,564)	**(1,561,495)**	(1,415,696)
Selling and marketing expenses		**(45,026,223)**	(45,426,360)	**(3,778)**	(3,778)
Other expenses		**(588,676)**	(627,157)	**(113,648)**	(75,857)
Operating profit		**42,462,148**	35,114,629	**20,816,055**	17,227,231
Finance costs	9	**(112,734)**	(287,357)	**–**	–
Share of results of associates		**–**	1,280,204	**–**	–
Loss recognised on remeasurement of non-current asset classified as held for sale to fair value less cost to sell	28	**–**	(330,000)	**–**	–
Profit before tax	10	**42,349,414**	35,777,476	**20,816,055**	17,227,231
Income tax expense	13	**(13,282,834)**	(7,380,853)	**(1,776,648)**	(1,396,879)
Profit net of tax		**29,066,580**	28,396,623	**19,039,407**	15,830,352
Other comprehensive income:					
Foreign currency translation, representing other comprehensive income for the year, net of tax of RM nil (2011: RM nil)		**904,593**	462,413	**–**	–
Total comprehensive income for the year		**29,971,173**	28,859,036	**19,039,407**	15,830,352
Profit attributable to:					
Owners of the parent		**29,012,630**	28,003,376	**19,039,407**	15,830,352
Non-controlling interest		**53,950**	393,247	**–**	–
		29,066,580	28,396,623	**19,039,407**	15,830,352

STATEMENTS OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2012 (cont'd)

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Total comprehensive income attributable to:					
Owners of the parent		**29,917,223**	28,463,321	**19,039,407**	15,830,352
Non-controlling interest		**53,950**	395,715	**–**	–
		29,971,173	28,859,036	**19,039,407**	15,830,352
Earnings per share attributable to owners of the parent (sen per share):					
Basic	14	**30.96**	29.88		
Net dividends per share in respect of the year	15	**13.25**	12.13		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

	Note	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets				
Non-current assets				
Property, plant and equipment	16	**76,441,850**	76,111,417	69,222,535
Investment properties	17	**3,482,980**	3,518,200	3,810,000
Intangible assets	18	**1,196,778**	1,218,296	1,285,251
Investment in associates	20	**–**	–	49,593,430
Deferred tax assets	21	**680,000**	748,000	359,000
Available-for-sale financial asset	22	**3,928,206**	3,928,206	3,928,206
		85,729,814	85,524,119	128,198,422
Current assets				
Inventories	23	**43,122,989**	43,097,661	38,914,185
Trade and other receivables	24	**95,441,916**	85,731,637	74,899,438
Prepayments		**75,188**	79,858	102,569
Tax recoverable		**580,226**	568,636	576,208
Derivative financial instruments	25	**16,563**	–	46,976
Investment securities	26	**30,494,001**	–	–
Deposits with licensed banks	27	**20,825,370**	9,800,000	13,300,000
Cash and bank balances	27	**13,849,227**	13,002,398	9,949,551
		204,405,480	152,280,190	137,788,927
Non-current assets held for sale	28	**–**	50,244,680	–
		204,405,480	202,524,870	137,788,927
Total assets		**290,135,294**	288,048,989	265,987,349
Equity and liabilities				
Current liabilities				
Borrowings	29	**–**	2,267,076	2,839,322
Derivative financial instruments	25	**–**	12,466	–
Trade and other payables	30	**66,181,655**	63,886,379	50,846,017
Current tax payable		**1,739,838**	1,005,066	1,144,034
		67,921,493	67,170,987	54,829,373

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012 (cont'd)

		Group		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Non-current liabilities				
Borrowings	29	–	1,345,092	6,612,168
Deferred tax liabilities	21	**5,761,457**	7,392,533	6,174,947
		5,761,457	8,737,625	12,787,115
Net current assets		**136,483,987**	135,353,883	82,959,554
Total liabilities		**73,682,950**	75,908,612	67,616,488
Net assets		**216,452,344**	212,140,377	198,370,861
Equity attributable to owners of the parent				
Share capital	31	**93,716,875**	93,716,875	93,716,875
Other reserves	32	**1,364,538**	459,945	–
Retained earnings		**121,229,021**	104,633,885	89,346,380
		216,310,434	198,810,705	183,063,255
Non-controlling interest		**141,910**	13,329,672	15,307,606
Total equity		**216,452,344**	212,140,377	198,370,861
Total equity and liabilities		**290,135,294**	288,048,989	265,987,349

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012 (cont'd)

	Note	Company 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets				
Non-current assets				
Property, plant and equipment	16	**176,058**	209,641	68,786
Investment in subsidiaries	19	**56,377,940**	56,723,688	53,258,188
Available-for-sale financial asset	22	**3,870,090**	3,870,090	3,870,090
		60,424,088	60,803,419	57,197,064
Current assets				
Trade and other receivables	24	**48,455,376**	45,824,183	45,721,121
Prepayments		**5,549**	1,530	11,103
Tax recoverable		**530,756**	519,165	331,660
Deposits with licensed banks	27	**9,825,370**	5,800,000	5,300,000
Cash and bank balances	27	**421,251**	533,802	546,566
		59,238,302	52,678,680	51,910,450
Total assets		**119,662,390**	113,482,099	109,107,514
Equity and liabilities				
Current liabilities				
Trade and other payables	30	**1,691,650**	2,133,272	2,225,868
Net current assets		**57,546,652**	50,545,408	49,684,582
Total liabilities		**1,691,650**	2,133,272	2,225,868
Net assets		**117,970,740**	111,348,827	106,881,646
Equity attributable to owners of the parent				
Share capital	31	**93,716,875**	93,716,875	93,716,875
Retained earnings	33	**24,253,865**	17,631,952	13,164,771
Total equity		**117,970,740**	111,348,827	106,881,646
Total equity and liabilities		**119,662,390**	113,482,099	109,107,514

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

	Note	Equity, total	Equity attributable to owners of the parent, total	Share capital (Note 31)	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Non–controlling interest
				|--------- Attributable to owners of the parent ---------|				
				|------------- Non-distributable --------------|			|-Distributable-|	
		RM	RM	RM	RM	RM	RM	RM
Group								
At 1 January 2012								
As previously stated, under FRS		**212,140,377**	**198,810,705**	**93,716,875**	**6,883,866**	**324,122**	**97,885,842**	**13,329,672**
Effect of adopting MFRS 1		**–**	**–**	**–**	**(6,883,866)**	**135,823**	**6,748,043**	**–**
At 1 January 2012, under MFRS		**212,140,377**	**198,810,705**	**93,716,875**	**–**	**459,945**	**104,633,885**	**13,329,672**
Total comprehensive income		**29,971,173**	**29,917,223**	**–**	**–**	**904,593**	**29,012,630**	**53,950**
Transactions with owners								
Effect arising from acquisition of non–controlling interest	28	**(13,241,712)**	**–**	**–**	**–**	**–**	**–**	**(13,241,712)**
Dividends on ordinary shares	15	**(12,417,494)**	**(12,417,494)**	**–**	**–**	**–**	**(12,417,494)**	**–**
Total transactions with owners		**(25,659,206)**	**(12,417,494)**	**–**	**–**	**–**	**(12,417,494)**	**(13,241,712)**
At 31 December 2012		**216,452,344**	**216,310,434**	**93,716,875**	**–**	**1,364,538**	**121,229,021**	**141,910**
At 1 January 2011								
As previously stated, under FRS		198,370,861	183,063,255	93,716,875	6,883,866	(135,823)	82,598,337	15,307,606
Effect of adopting MFRS 1		–	–	–	(6,883,866)	135,823	6,748,043	–
At 1 January 2011, under MFRS		198,370,861	183,063,255	93,716,875	–	–	89,346,380	15,307,606
Total comprehensive income		28,859,036	28,463,321	–	–	459,945	28,003,376	395,715
Transactions with owners								
Acquisition of additional interest in existing subsidiary		(3,465,500)	(1,352,700)	–	–	–	(1,352,700)	(2,112,800)
Dividends on ordinary shares	15	(11,363,171)	(11,363,171)	–	–	–	(11,363,171)	–
Dividends paid to non-controlling interest		(260,849)	–	–	–	–	–	(260,849)
Total transactions with owners		(15,089,520)	(12,715,871)	–	–	–	(12,715,871)	(2,373,649)
At 31 December 2011		212,140,377	198,810,705	93,716,875	–	459,945	104,633,885	13,329,672

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2012 (cont'd)

	Note	Share capital (Note 31) RM	Distributable retained earnings RM	Equity, total RM
Company				
At 1 January 2012		**93,716,875**	**17,631,952**	**111,348,827**
Total comprehensive income		**–**	**19,039,407**	**19,039,407**
Transaction with owners				
Dividends on ordinary shares	15	**–**	**(12,417,494)**	**(12,417,494)**
At 31 December 2012		**93,716,875**	**24,253,865**	**117,970,740**
At 1 January 2011		93,716,875	13,164,771	106,881,646
Total comprehensive income		–	15,830,352	15,830,352
Transaction with owners				
Dividends on ordinary shares	15	–	(11,363,171)	(11,363,171)
At 31 December 2011		93,716,875	17,631,952	111,348,827

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Operating activities				
Profit before tax	**42,349,414**	35,777,476	**20,816,055**	17,227,231
Adjustments for:				
Depreciation of property, plant and equipment	**7,133,199**	6,532,309	**50,756**	44,450
Depreciation of investment properties	**71,800**	71,800	**–**	–
Amortisation of intangible assets	**75,098**	79,846	**–**	–
Property, plant and equipment written off	**2,325**	8,431	**622**	3,015
Net gain on disposal of property, plant and equipment	**(628,859)**	(236,404)	**–**	–
Interest expense	**112,734**	287,357	**–**	–
Interest income	**(545,477)**	(201,316)	**(1,078,828)**	(1,122,104)
Dividend income	**–**	–	**(21,650,000)**	(17,398,650)
Loss recognised on remeasurement of non-current asset classified as held for sale to fair value less cost to sell	**–**	330,000	**–**	–
Write off of investment in a subsidiary	**–**	–	**17,209**	–
Fair value (gains)/loss on financial instruments:				
– Financial assets at fair value through profit or loss	**(399,580)**	–	**–**	–
– Derivatives	**(29,029)**	59,442	**–**	–
Share of results of associates	**–**	(1,280,204)	**–**	–
Impairment loss on financial assets:				
– trade receivables	**1,042,310**	1,122,061	**–**	–
– other receivables	**–**	850,747	**–**	–
Bad debts (recovered)/written off	**(37,728)**	2,925	**–**	–
Inventories written off	**218,184**	121,519	**–**	–
Inventories written down	**715,008**	1,030,960	**–**	–
Reversal of inventories written down	**(868,159)**	(321,423)	**–**	–
Unrealised foreign exchange gain	**(152,532)**	(345,463)	**(182,087)**	(345,463)
Total adjustments	**6,709,294**	8,112,587	**(22,842,328)**	(18,818,752)
Operating cash flows before changes in working capital	**49,058,708**	43,890,063	**(2,026,273)**	(1,591,521)
Changes in working capital				
Inventories	**(90,361)**	(5,014,532)	**–**	–
Receivables	**(10,688,191)**	(12,785,221)	**(2,635,212)**	251,974
Payables	**2,270,032**	13,385,825	**559,002**	(92,596)
Total changes in working capital	**(8,508,520)**	(4,413,928)	**(2,076,210)**	159,378
Cash generated from/(used in) operations	**40,550,188**	39,476,135	**(4,102,483)**	(1,432,143)
Tax paid	**(9,666,951)**	(6,825,908)	**(38,239)**	(36,884)
Dividends received	**–**	–	**19,900,000**	15,851,150
Net cash flows generated from operating activities	**30,883,237**	32,650,227	**15,759,278**	14,382,123

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2012 (cont'd)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Investing activities					
Proceeds from corporate exercise	28(a)	**32,327,191**	–	–	–
Proceeds from disposal of non-currents assets held for sale					
– Investment property	28(b)	**198,000**	–	–	–
Acquisition of non-controlling interest		–	(3,465,500)	–	–
Additional investment in existing subsidiaries	19	–	–	**(489,998)**	(3,465,500)
Dividends from associate		–	661,199	–	–
Dividends paid to non-controlling interest		–	(260,849)	–	–
Purchases of property, plant and equipment	(a)	**(7,303,930)**	(13,240,292)	**(17,795)**	(188,320)
Purchase of investment properties		**(36,580)**	–	–	–
Purchases of intangible assets		**(52,930)**	(11,590)	–	–
Proceeds from disposal of property, plant and equipment		**741,001**	250,057	–	–
Purchase of investment securities		**(30,094,421)**	–	–	–
Interest received		**545,477**	201,316	**1,078,828**	1,122,104
Net cash flows (used in)/generated from investing activities		**(3,676,192)**	(15,865,659)	**571,035**	(2,531,716)
Financing activities					
Repayment of term loans		**(3,612,168)**	(5,328,176)	–	–
Dividends paid		**(12,417,494)**	(11,363,171)	**(12,417,494)**	(11,363,171)
Interest paid		**(112,734)**	(287,357)	–	–
Net cash flows used in financing activities		**(16,142,396)**	(16,978,704)	**(12,417,494)**	(11,363,171)
Net increase/(decrease) in cash and cash equivalents		**11,064,649**	(194,136)	**3,912,819**	487,236
Effect of exchange rate changes on cash and cash equivalents		**807,550**	258,129	–	–
Cash and cash equivalents at 1 January		**22,802,398**	22,738,405	**6,333,802**	5,846,566
Cash and cash equivalents at 31 December	27	**34,674,597**	22,802,398	**10,246,621**	6,333,802

Note (a)

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Additions of property, plant and equipment	**7,481,706**	13,240,292	**17,795**	188,320
Additions via deferred payment	**(177,776)**	–	–	–
Additions via cash	**7,303,930**	13,240,292	**17,795**	188,320

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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 principal place of business and registered office of the Company is located at 134/2, Kompleks Perniagaan Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 April 2013.

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 ("IASB") and the requirements of the Companies Act, 1965 in Malaysia.

For all periods up to and including the financial year ended 31 December 2011, the Group and the Company prepared their financial statements in accordance with the Financial Reporting Standards ("FRS"). These financial statements for the year ended 31 December 2012 are the first the Group and the Company have prepared in accordance with MFRS. Refer to Note 3 for information on how the Group adopted MFRS.

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

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2012.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

2.3 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 the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest 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.

Subsidiaries are consolidated using the acquisition method of accounting except for certain subsidiaries, as disclosed in Note 19, 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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest 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 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 and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 Investment in subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

2.5 Investment in an associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment 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 neither amortised nor individually tested for impairment.

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

2.5 Investment in an associate (cont'd)

The statement of comprehensive income reflects the Group's share of the results of operations of the associate. 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 are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the statement of comprehensive income and represents profits 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 Company. 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. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'Share of losses of an associate' in the 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 retaining investment and proceeds from disposal is recognised in profit or loss.

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

2.6 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 initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income ("OCI") until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

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

2.6 Foreign currencies (cont'd)

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

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2011 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Prior to 1 January 2011, the date of transition to MFRS, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

(c) Group companies

The assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their statement of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

2.7 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 from sale of goods is recognised net of sales taxes and discounts upon the transfer of significant risk 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 from services rendered is recognised 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 using the effective interest method.

(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)

2.8 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.

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) 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.

(b) 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.

2.9 Property, plant and equipment

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 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 recognises 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)

2.9 Property, plant and equipment (cont'd)

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 as follows:

Buildings	2%
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 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 value may not be recoverable.

The residual value, 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.

2.10 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 2.9.

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.

2.11 Impairment of non-financial assets

The Group assesses 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 makes 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.

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

2.11 Impairment of non-financial assets (cont'd)

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 Non-current assets held for sale

Non-current assets is deemed to be held for sale if its carrying amounts will be recovered principally through a sale of transaction rather than through continuing use.

Upon classification as held for sale, non-current assets are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2.13 Inventories

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

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. Standard cost approximates actual cost calculated on a weighted average basis.

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, demand deposits, and short term highly liquid investments 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 cash management.

2.15 Financial assets

Financial assets, within the scope of MFRS 139, 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.

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.

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

2.15 Financial assets (cont'd)

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

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

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

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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 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 MFRS 139, 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 loans and borrowings.

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.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

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.

2.18 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 or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2011, the date of inception is deemed to be 1 January 2011 in accordance with MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*.

(a) Group as a lessee

Finance leases that 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. Any initial direct costs are also added to the amount capitalised. 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 charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

2.18 Leases (cont'd)

(a) Group as a lessee (cont'd)

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.

(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 2.7(e).

2.19 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 an entity incurs in connection with the borrowing of funds.

Borrowing costs incurred on or after the date of transition (1 January 2011) for all eligible qualifying assets are capitalised. The Group has not restated the borrowing costs capitalised under FRS on qualifying assets to the date of transition to MFRS.

2.20 Income taxes

(a) Current income tax

Current income tax assets and liabilities for the current period 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 income 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 at the reporting date.

Deferred tax liabilities are recognised for all 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.

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

2.20 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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 recovered.

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) Sales tax

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

– where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax 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 sales tax included.

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

2.21 Provisions

Provisions are recognised when the Group 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.

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 immaterial, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. 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 participates 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 Employee Provident Fund in Malaysia, a defined contribution pension scheme. The Group's foreign subsidiaries in the Republic of Singapore make contributions to their country's Central Providend Fund ("CPF"). Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.23 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 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 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.

2.25 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.

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

3. FIRST-TIME ADOPTION OF MFRS

These financial statements are the Group's and the Company's first MFRS financial statements for the year ended 31 December 2012. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

In preparing its opening MFRS Statement of financial position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position, financial performance and cash flows are set out below. These notes include reconciliation of equity and total comprehensive income for comparative periods and of equity at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statements of cash flows.

3. FIRST-TIME ADOPTION OF MFRS (cont'd)

Exemptions applied

MFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under MFRS.

The Group has applied the following exemptions:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3 *Business Combinations* prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from the full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

(i) the classification of former business combinations under FRS is maintained;

(ii) there is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and

(iii) the carrying amount of goodwill recognised under FRS is not adjusted.

(b) Property, plant and equipment

The Group's properties classified under property, plant and equipment comprising land and buildings were previously measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 *Property, Plant and Equipment*. At the date of transition to MFRS, the Group elected to:

(i) regard the revalued amounts of buildings as at 31 December 2009 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM541,008 (31 December 2011: RM541,008) was transferred to retained earnings on the date of transition to MFRS.

(ii) regard the fair value of lands at date of transition as its deemed cost at that date. As at that date, revaluation reserve was reduced by RM6,342,858 (31 December 2011: RM6,342,858). The resulting adjustments were taken against retained earnings.

(c) Investment properties

Under FRS, the Group's investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Upon transition to MFRS, the Group has elected to measure all its investment properties using the cost method under MFRS 140 *Investment Properties* and has regarded the fair value of its investment properties at date of transition as its deemed cost at that date.

Under MFRS, after initial recognition, an entity that chooses the cost model shall measure all of its investment properties in accordance with MFRS 116's requirements for that model. Accordingly, the investment properties shall be carried at its cost less accumulated depreciation and any accumulated impairment losses. The carrying amount of investment properties as at 31 December 2012 was reduced by RM143,600 (31 December 2011: RM71,800) and the resulting depreciation charge for the respective financial year were taken to profit or loss.

3. FIRST-TIME ADOPTION OF MFRS (cont'd)

(d) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are reset to zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM135,823 (31 December 2011: RM135,823) were adjusted to retained earnings.

(e) Estimates

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transitions to MFRS and as of 31 December 2011.

The reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported periods and at the date of transition under MFRS are provided below:

Group reconciliation of equity as at 1 January 2011 (date of transition to MFRS)

	FRS as at 1 January 2011 RM	Note 3(b) Property, plant and equipment RM	Note 3(c) Investment properties RM	Note 3(d) Foreign currency translation reserve RM	MFRS as at 1 January 2011 RM
Group					
Assets					
Non-current assets					
Property, plant and equipment	69,222,535				69,222,535
Investment properties	3,810,000				3,810,000
Intangible assets	1,285,251				1,285,251
Investment in associates	49,593,430				49,593,430
Deferred tax assets	359,000				359,000
Available-for-sale financial asset	3,928,206				3,928,206
	128,198,422				128,198,422
Current assets					
Inventories	38,914,185				38,914,185
Trade and other receivables	74,899,438				74,899,438
Prepayments	102,569				102,569
Tax recoverable	576,208				576,208
Derivative financial instruments	46,976				46,976
Deposits with licensed banks	13,300,000				13,300,000
Cash and bank balances	9,949,551				9,949,551
	137,788,927				137,788,927
Total assets	265,987,349				265,987,349

3. FIRST-TIME ADOPTION OF MFRS (cont'd)

Group reconciliation of equity as at 1 January 2011 (date of transition to MFRS) (cont'd)

	FRS as at 1 January 2011 RM	Note 3(b) Property, plant and equipment RM	Note 3(c) Investment properties RM	Note 3(d) Foreign currency translation reserve RM	MFRS as at 1 January 2011 RM
Equity and liabilities					
Current liabilities					
Borrowings	2,839,322				2,839,322
Trade and other payables	50,846,017				50,846,017
Current tax payable	1,144,034				1,144,034
	54,829,373				54,829,373
Non-current liabilities					
Borrowings	6,612,168				6,612,168
Deferred tax liabilities	6,174,947				6,174,947
	12,787,115				12,787,115
Net current assets	82,959,554				82,959,554
Total liabilities	67,616,488				67,616,488
Net assets	198,370,861				198,370,861
Equity attributable to owners of the parent					
Share capital	93,716,875				93,716,875
Reserves	6,748,043	(6,883,866)		135,823	–
Retained earnings	82,598,337	6,883,866		(135,823)	89,346,380
	183,063,255				183,063,255
Non-controlling interest	15,307,606				15,307,606
Total equity	198,370,861				198,370,861
Total equity and liabilities	265,987,349				265,987,349

3. First-time adoption of MFRS (cont'd)

Group reconciliation of equity as at 31 December 2011

	FRS as at 31 December 2011 RM	Note 3(b) Property, plant and equipment RM	Note 3(c) Investment properties RM	Note 3(d) Foreign currency translation reserve RM	MFRS as at 31 December 2011 RM
Group					
Assets					
Non-current assets					
Property, plant and equipment	76,111,417				76,111,417
Investment properties	3,590,000		(71,800)		3,518,200
Intangible assets	1,218,296				1,218,296
Deferred tax assets	748,000				748,000
Available-for-sale financial asset	3,928,206				3,928,206
	85,595,919				85,524,119
Current assets					
Inventories	43,097,661				43,097,661
Trade and other receivables	85,731,637				85,731,637
Prepayments	79,858				79,858
Tax recoverable	568,636				568,636
Deposits with licensed banks	9,800,000				9,800,000
Cash and bank balances	13,002,398				13,002,398
	152,280,190				152,280,190
Non-current assets held for sale	50,244,680				50,244,680
	202,524,870				202,524,870
Total assets	288,120,789				288,048,989

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2012 (cont'd)

3. FIRST-TIME ADOPTION OF MFRS (cont'd)

Group reconciliation of equity as at 31 December 2011 (cont'd)

	FRS as at 31 December 2011 RM	Note 3(b) Property, plant and equipment RM	Note 3(c) Investment properties RM	Note 3(d) Foreign currency translation reserve RM	MFRS as at 31 December 2011 RM
Equity and liabilities					
Current liabilities					
Borrowings	2,267,076				2,267,076
Derivative financial instruments	12,466				12,466
Trade and other payables	63,886,379				63,886,379
Current tax payable	1,005,066				1,005,066
	67,170,987				67,170,987
Non-current liabilities					
Borrowings	1,345,092				1,345,092
Deferred tax liabilities	7,392,533				7,392,533
	8,737,625				8,737,625
Net current assets	135,353,883				135,353,883
Total liabilities	75,908,612				75,908,612
Net assets	212,212,177				212,140,377
Equity attributable to owners of the parent					
Share capital	93,716,875				93,716,875
Reserves	7,207,988	(6,883,866)		135,823	459,945
Retained earnings	97,957,642	6,883,866	(71,800)	(135,823)	104,633,885
	198,882,505				198,810,705
Non-controlling interest	13,329,672				13,329,672
Total equity	212,212,177				212,140,377
Total equity and liabilities	288,120,789				288,048,989

3. FIRST-TIME ADOPTION OF MFRS (cont'd)

Group reconciliation of total comprehensive income for the financial year ended 31 December 2011

	FRS 31 December 2011 RM	Note 3(c) Investment properties RM	MFRS 31 December 2011 RM
Revenue	366,001,613		366,001,613
Cost of sales/services rendered	(270,861,565)	(71,800)	(270,933,365)
Gross profit	95,140,048		95,068,248
Other income	1,537,462		1,537,462
Administrative expenses	(15,437,564)		(15,437,564)
Selling and marketing expenses	(45,426,360)		(45,426,360)
Other expenses	(627,157)		(627,157)
Operating profit	35,186,429		35,114,629
Finance costs	(287,357)		(287,357)
Share of results of associates	1,280,204		1,280,204
Loss recognised on remeasurement of non-current asset classified as held for sale to fair value less cost to sell	(330,000)		(330,000)
Profit before tax	35,849,276		35,777,476
Income tax expense	(7,380,853)		(7,380,853)
Net profit for the year	28,468,423		28,396,623
Foreign currency translation, representing other comprehensive income net of tax of RM nil	462,413		462,413
Total comprehensive income for the year	28,930,836		28,859,036
Profit attributable to:			
Owners of the parent	28,075,176	(71,800)	28,003,376
Non-controlling interest	393,247		393,247
	28,468,423		28,396,623
Total comprehensive income attributable to:			
Owners of the parent	28,535,121	(71,800)	28,463,321
Non-controlling interest	395,715		395,715
	28,930,836		28,859,036

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Judgements made in applying accounting policies

In the process of applying the Group'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 – 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 passed to the Group, and

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

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

4.2 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 2012 is RM1,073,900 (2011: RM1,073,250). Further details are disclosed in Note 18.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

4.2 Key sources of estimation uncertainty (cont'd)

(b) Useful lives of plant and equipment

The cost of plant and equipment for the manufacture of pharmaceutical products is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 7 to 10 years. These are common life expectancies applied in the pharmaceutical industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 16.

(c) Impairment of loans and receivables

The Group assesses 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 considers 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 loans and receivables at reporting date is disclosed in Note 24.

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses 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.

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.

The carrying value of deferred tax assets of the Group at 31 December 2012 was RM680,000 (2011: RM748,000) and recognised tax losses at 31 December 2012 was RM nil (2011: RM23,096) and the unrecognised tax losses at 31 December 2012 was RM101,725 (2011: RM656,351).

5. 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 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 *Business Combinations* issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd)

Description	Effective for annual periods beginning on or after
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

The Group and the Company do not anticipate significant impact to the financial statements upon adoption of MFRS 10.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd)

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 Consolidated Financial Statements. The adoptions of these standards are not expected to have any significant impact to the Group and the Company.

Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

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

MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 *Financial Instruments: Recognition and Measurement*. The adoption of the first phase of MFRS 9 is not expected to have an impact on the Group and on the Company.

6. REVENUE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sale of pharmaceutical products	**398,270,707**	365,669,515	–	–
Rental income from investment properties	**333,269**	332,098	–	–
Dividend income from subsidiaries	–	–	**21,650,000**	17,398,650
Management service fees from subsidiaries	–	–	**1,896,075**	1,720,178
	398,603,976	366,001,613	**23,546,075**	19,118,828

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2012 (cont'd)

7. COST OF SALES/SERVICES RENDERED

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cost of goods sold on pharmaceutical products	**297,213,673**	270,722,304	**–**	–
Direct cost arising from investment properties that generated rental income	**251,860**	211,061	**–**	–
Cost relating to rendering of management services	**–**	–	**2,305,515**	1,895,914
	297,465,533	270,933,365	**2,305,515**	1,895,914

8. OTHER INCOME

Included in other income are the following:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest income on:				
– advances to subsidiaries	**–**	–	**829,737**	1,061,898
– deposits with licensed banks	**545,477**	201,316	**249,091**	60,206
Rental receivable from operating leases, other than those relating to investment properties	**293,024**	243,560	**–**	–
Gain on disposal of property, plant and equipment	**628,859**	241,286	**–**	–
Fair value gains on financial instruments:				
– financial assets at fair value through profit or loss	**399,580**	–	**–**	–
– derivatives (Note 25)	**29,029**	–	**–**	–
Net gain on foreign exchange:				
– realised	**36,817**	–	**–**	32,081
– unrealised	**152,532**	345,463	**182,087**	345,463
Product development fee	**639,837**	–	**–**	–

9. FINANCE COSTS

	Group	
	2012 RM	2011 RM
Interest expense on:		
– term loans	**112,734**	287,357

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2012 (cont'd)

10. PROFIT BEFORE TAX

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Auditors' remuneration				
– current year	**197,522**	205,438	**39,000**	65,000
– overprovision in prior year	**(30,000)**	(100)	**(30,000)**	(100)
Employee benefits expense (Note 11)	**39,168,702**	37,427,326	**1,855,515**	1,445,914
Directors' fees (Note 12)				
– executive director	**60,000**	60,000	**60,000**	60,000
– non-executive directors	**390,000**	390,000	**390,000**	390,000
Consulting fees paid to a director	**180,000**	180,000	**180,000**	180,000
Property, plant and equipment				
– depreciation (Note 16)	**7,133,199**	6,532,309	**50,756**	44,450
– written off	**2,325**	8,431	**622**	3,015
– loss on disposal	**–**	4,882	**–**	–
Depreciation of investment properties (Note 17)	**71,800**	71,800	**–**	–
Amortisation of intangible assets (Note 18)	**75,098**	79,846	**–**	–
Fair value loss on derivative financial instruments (Note 25)	**–**	59,442	**–**	–
Realised loss on foreign exchange	**55,363**	64,439	**–**	–
Rental expenses	**1,509,224**	1,414,872	**325,800**	291,118
Research and development cost	**985,357**	1,008,544	**–**	–
Impairment loss on financial assets				
– trade receivables (Note 24)	**1,042,310**	1,122,061	**–**	–
– other receivables (Note 24)	**–**	850,747		
Bad debts (recovered)/written off	**(37,728)**	2,925	**–**	–
Reversal of impairment loss on trade receivables (Note 24)	**(958,531)**	(861,862)	**–**	–
Reversal of inventories written down (Note 23)	**(868,159)**	(321,423)	**–**	–
Inventories written off	**218,184**	121,519	**–**	–
Inventories written down	**715,008**	1,030,960	**–**	–
Write off of investment in a subsidiary	**–**	–	**17,209**	–

11. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Wages, salaries and social security contributions	**33,505,989**	32,366,573	**1,482,981**	1,126,996
Contributions to defined contribution plans	**4,603,695**	4,133,393	**272,612**	204,978
Other benefits	**1,059,018**	927,360	**99,922**	113,940
	39,168,702	37,427,326	**1,855,515**	1,445,914

Included in employee benefit expense of the Group and of the Company are executive director's remuneration other than director's fees and benefits-in-kind amounting to RM1,912,294 and RM539,802 (2011: RM1,643,545 and RM423,706) respectively.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2012 (cont'd)

12. DIRECTORS' REMUNERATION

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

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Executive director:				
– fees (Note 10)	**60,000**	60,000	**60,000**	60,000
– salaries and other emoluments	**610,470**	597,420	**97,440**	97,440
– bonus	**1,174,225**	929,310	**361,805**	264,243
– defined contribution plans	**127,599**	116,815	**80,557**	62,023
Total executive director's remuneration (excluding benefits-in-kind)	**1,972,294**	1,703,545	**599,802**	483,706
– benefits-in-kind	**53,406**	28,941	**53,406**	28,941
Total executive director's remuneration (including benefits-in-kind)	**2,025,700**	1,732,486	**653,208**	512,647
Non-executive directors:				
– fees (Note 10)	**390,000**	390,000	**390,000**	390,000
– other emoluments	**289,575**	275,787	**289,575**	275,787
	679,575	665,787	**679,575**	665,787
– benefits-in-kind	**58,296**	75,284	**20,563**	39,297
Total non-executive directors' remuneration	**737,871**	741,071	**700,138**	705,084
Total directors' remuneration	**2,763,571**	2,473,557	**1,353,346**	1,217,731

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

	Number of directors	
	2012	**2011**
Executive director:		
RM1,700,001 – RM1,750,000	**–**	1
RM2,000,001 – RM2,050,000	**1**	–
Non-executive directors:		
RM50,001 – RM100,000	**4**	4
RM100,001 – RM150,000	**1**	1
RM250,001 – RM300,000	**1**	–
RM300,001 – RM350,000	**–**	1

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2012 (cont'd)

13. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for years ended 31 December 2012 and 2011 are:

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Statement of comprehensive income:				
Current income tax:				
– Malaysian income tax	**10,264,668**	6,839,885	**1,823,238**	1,619,385
– Foreign tax	**2,646,285**	90,576	**–**	–
– Under/(over)provision in respect of previous years	**19,674**	(235,949)	**(46,590)**	(222,506)
	12,930,627	6,694,512	**1,776,648**	1,396,879
Deferred tax (Note 21):				
– Relating to origination and reversal of temporary differences	**554,953**	669,892	**–**	–
– (Over)/underprovision in respect of previous year	**(202,746)**	16,449	**–**	–
	352,207	686,341	**–**	–
Income tax expense recognised in profit or loss	**13,282,834**	7,380,853	**1,776,648**	1,396,879

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 2012 and 2011 are as follows:

	2012 RM	2011 RM
Group		
Profit before tax	**42,349,414**	35,777,476
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	**10,587,354**	8,944,369
Different tax rates in other countries	**(101,454)**	(31,640)
Adjustments:		
Effect of share of profits of associates	**–**	(237,551)
Income not subject to taxation	**(284,043)**	(256,699)
Non-deductible expenses	**1,194,200**	1,120,205
Utilisation of reinvestment allowances during the year	**–**	(1,516,164)
Utilisation of previously unrecognised unused tax losses and unutilised capital allowances	**(317,939)**	(305,000)
Deferred tax assets not recognised in respect of deductible temporary differences	**6,939**	75,182
Tax arising from disposal of investment in associate (Note 28(a))	**2,540,494**	–
Double deduction for tax purposes	**(159,645)**	(192,349)
Under/(over)provision of income tax in respect of previous years	**19,674**	(235,949)
(Over)/underprovision of deferred tax in respect of previous year	**(202,746)**	16,449
Income tax expense recognised in profit or loss	**13,282,834**	7,380,853

13. INCOME TAX EXPENSE (cont'd)

	2012 RM	2011 RM
Company		
Profit before tax	**20,816,055**	17,227,231
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	**5,204,014**	4,306,808
Adjustments:		
Income not subject to taxation	**(3,750,285)**	(2,977,189)
Non-deductible expenses	**369,509**	289,766
Overprovision of income tax in prior years	**(46,590)**	(222,506)
Income tax expense recognised in profit or loss	**1,776,648**	1,396,879

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

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

Tax savings during the financial year arising from:

	Group 2012 RM	Group 2011 RM
Utilisation of previously unrecognised tax losses	**172,344**	270,707

14 BASIC EARNINGS PER SHARE

Basic earnings per share amount 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 outstanding during the financial year.

The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group 2012	Group 2011
Profit, net of tax attributable to owners of the parent used in the computation of basic earnings per share (RM)	**29,012,630**	28,003,376
Weighted average number of ordinary shares in issue	**93,716,875**	93,716,875
Basic earnings per share (sen)	**30.96**	29.88

The Company does not have any dilutive potential ordinary shares. Accordingly, the diluted earnings per share is not presented.

15. DIVIDENDS

	2012		2011	
	Dividend per share net of tax Sen	Amount of dividend net of tax RM	Dividend per share net of tax Sen	Amount of dividend net of tax RM
In respect of financial year ended 31 December 2012:				
– Interim dividend of 6.0 sen gross per share less 25% tax	**4.50**	**4,217,262**	–	–
In respect of financial year ended 31 December 2011:				
– Final dividend of 5.0 sen gross per share less 25% tax	**3.75**	**3,514,386**	–	–
– Special tax-exempt dividend of 5.0 sen per share	**5.00**	**4,685,846**	–	–
– Interim dividend of 5.5 sen gross per share less 25% tax	**–**	**–**	4.13	3,865,821
In respect of financial year ended 31 December 2010:				
– Final dividend of 4.0 sen gross per share less 25% tax	**–**	**–**	3.00	2,811,506
– Special tax-exempt dividend of 5.0 sen per share	**–**	**–**	5.00	4,685,844
	13.25	**12,417,494**	12.13	11,363,171

At the forthcoming Annual General Meeting, final dividends comprising a 3.0 sen gross per share less 25% tax and a tax-exempt dividend of 3.0 sen per share as well as a tax-exempt special dividend of 5.0 sen per share in respect of the financial year ended 31 December 2012, on 93,716,875 ordinary shares, amounting to a dividend payable of RM2,108,630, RM2,811,506 and RM4,685,844 respectively will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

16. PROPERTY, PLANT AND EQUIPMENT

	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
Group										
At 31 December 2012										
Cost										
At 1 January 2012	11,370,268	10,712,350	7,824,600	16,146,131	45,397,703	25,931,443	4,911,320	296,210	–	122,590,025
Additions	–	–	–	223,180	1,433,731	1,658,101	1,479,459	–	2,687,235	7,481,706
Disposals	–	–	–	–	(23,200)	(9,550)	(1,350,385)	–	–	(1,383,135)
Transfers	–	–	–	–	–	9,210	–	(9,210)	–	–
Written off	–	–	–	–	(4,500)	(197,914)	–	–	–	(202,414)
Exchange differences	55,920	42,111	–	–	–	63,073	1,249	–	–	162,353
At 31 December 2012	11,426,188	10,754,461	7,824,600	16,369,311	46,803,734	27,454,363	5,041,643	287,000	2,687,235	128,648,535
Accumulated depreciation and impairment loss										
At 1 January 2012	–	1,410,735	187,014	1,539,445	23,048,119	17,403,609	2,889,169	517	–	46,478,608
Depreciation charge for the year (Note 10)	–	195,535	93,507	325,746	3,458,092	2,233,721	797,898	28,700	–	7,133,199
Disposals	–	–	–	–	(23,199)	(9,548)	(1,238,246)	–	–	(1,270,993)
Written off	–	–	–	–	(4,500)	(195,589)	–	–	–	(200,089)
Exchange differences	–	7,634	–	–	–	58,144	182	–	–	65,960
At 31 December 2012	–	1,613,904	280,521	1,865,191	26,478,512	19,490,337	2,449,003	29,217	–	52,206,685
Net carrying amount										
At 31 December 2012	11,426,188	9,140,557	7,544,079	14,504,120	20,325,222	7,964,026	2,592,640	257,783	2,687,235	76,441,850

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2012 (cont'd)

16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	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
Group (cont'd)										
At 31 December 2011										
Cost										
At 1 January 2011	11,258,320	10,628,047	7,824,600	16,146,131	36,859,267	25,426,379	4,915,655	–	128,758	113,187,157
Additions	–	–	–	–	9,831,964	2,312,121	652,960	296,210	147,037	13,240,292
Disposals	–	–	–	–	(1,491,643)	(1,533,308)	(657,330)	–	–	(3,682,281)
Transfers	–	–	–	–	275,795	–	–	–	(275,795)	–
Written off	–	–	–	–	(77,680)	(397,007)	–	–	–	(474,687)
Exchange differences	111,948	84,303	–	–	–	123,258	35	–	–	319,544
At 31 December 2011	11,370,268	10,712,350	7,824,600	16,146,131	45,397,703	25,931,443	4,911,320	296,210	–	122,590,025
Accumulated depreciation and impairment loss										
At 1 January 2011	–	1,202,987	93,507	1,215,931	21,853,927	16,829,386	2,768,884	–	–	43,964,622
Depreciation charge for the year (Note 10)	–	194,390	93,507	323,514	2,763,501	2,379,303	777,577	517	–	6,532,309
Disposals	–	–	–	–	(1,491,630)	(1,519,672)	(657,326)	–	–	(3,668,628)
Written off	–	–	–	–	(77,679)	(388,577)	–	–	–	(466,256)
Exchange differences	–	13,358	–	–	–	103,169	34	–	–	116,561
At 31 December 2011	–	1,410,735	187,014	1,539,445	23,048,119	17,403,609	2,889,169	517	–	46,478,608
Net carrying amount										
At 31 December 2011	11,370,268	9,301,615	7,637,586	14,606,686	22,349,584	8,527,834	2,022,151	295,693	–	76,111,417
At 1 January 2011	11,258,320	9,425,060	7,731,093	14,930,200	15,005,340	8,596,993	2,146,771	–	128,758	69,222,535

16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Furniture, fittings and equipment RM
Company	
Cost	
At 1 January 2011	237,375
Additions	188,320
Written off	(34,979)
At 31 December 2011	390,716
Additions	17,795
Written off	(23,611)
At 31 December 2012	384,900
Accumulated depreciation	
At 1 January 2011	168,589
Depreciation charge for the year (Note 10)	44,450
Written off	(31,964)
At 31 December 2011	181,075
Depreciation charge for the year (Note 10)	50,756
Written off	(22,989)
At 31 December 2012	208,842
Net carrying amount	
At 31 December 2012	176,058
At 31 December 2011	209,641
At 1 January 2011	68,786

In previous year, the property, plant and equipment of the Group with net carrying amount of RM4,470,005 were pledged as securities for borrowings as disclosed in Note 29.

17. INVESTMENT PROPERTIES

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Cost			
At beginning of financial year	3,590,000	3,810,000	3,810,000
Reclassified to non-current assets held for sale (Note 28)	–	(220,000)	–
Additions	36,580	–	–
At end of financial year	3,626,580	3,590,000	3,810,000

17. INVESTMENT PROPERTIES (cont'd)

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Accumulated depreciation			
At beginning of financial year	71,800	–	–
Depreciation charge for the financial year (Note 10)	71,800	71,800	–
At end of financial year	143,600	71,800	–
Net carrying amount	3,482,980	3,518,200	3,810,000
Fair value	3,626,580	3,590,000	3,810,000

18. INTANGIBLE ASSETS

	Trademark RM	Computer software RM	Total RM
Group			
Cost			
At 1 January 2011	1,071,950	2,229,952	3,301,902
Additions	–	11,590	11,590
Exchange differences	1,300	16,871	18,171
At 31 December 2011	1,073,250	2,258,413	3,331,663
Additions	–	52,930	52,930
Exchange differences	650	–	650
At 31 December 2012	1,073,900	2,311,343	3,385,243
Accumulated amortisation			
At 1 January 2011	–	2,016,651	2,016,651
Amortisation (Note 10)	–	79,846	79,846
Exchange differences	–	16,870	16,870
At 31 December 2011	–	2,113,367	2,113,367
Amortisation (Note 10)	–	75,098	75,098
At 31 December 2012	–	2,188,465	2,188,465
Net carrying amount			
At 31 December 2012	1,073,900	122,878	1,196,778
At 31 December 2011	1,073,250	145,046	1,218,296
At 1 January 2011	1,071,950	213,301	1,285,251

18. INTANGIBLE ASSETS (cont'd)

Impairment tests for trademark

The intangible assets 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 19.

Key assumptions used in value-in-use calculations

The recoverable amount of the 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 sae of products marketed under the trademark approved by management covering a five-year period. The key assumptions used for value-in-use calculations are:

	2012 %	2011 %
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

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

Sensitivity to changes in assumptions

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

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 **RM**	**2011** **RM**
Unquoted shares, at cost	**56,377,940**	57,387,942
Less: Impairment losses	**–**	(664,254)
	56,377,940	56,723,688

Details of the subsidiaries are as follows:

Name of companies	Place of incorporation	Principal activities	Effective equity interest 2012 %	Effective equity interest 2011 %
Held by the Company				
Xepa-Soul Pattinson (Malaysia) Sdn. Bhd. +	Malaysia	Manufacturing and marketing of pharmaceutical products	**100**	100
Apex Pharmacy Marketing Sdn. Bhd. +	Malaysia	Marketing and distribution of pharmaceutical products	**100**	100
ABio Marketing Sdn. Bhd. +	Malaysia	Marketing and distribution of healthcare products	**100**	100
Apex Pharmacy Corporate Sdn. Bhd.	Malaysia	Property rental and management	**100**	100
Apex Retail Sdn. Bhd.	Malaysia	Retailing of pharmaceutical products	**100**	100
Apex Pharmacy International Sdn. Bhd.	Malaysia	Under member's voluntary winding up	**100**	100
Apex Pharma Marketing Pte. Ltd. ^	Singapore	Marketing and distribution of pharmaceutical products	**100**	100
Avex Pharmaceuticals Pte. Ltd. ^	Singapore	Brands management and development of pharmaceutical and healthcare products	**100**	100
First SGC Pte. Ltd. ^	Singapore	Investment holding	**100**	70
Subsidiary of Xepa-Soul Pattinson (Malaysia) Sdn. Bhd.				
Xepa-Soul Pattinson (S) Pte. Ltd. ^	Singapore	Marketing and distribution of pharmaceutical products	**100**	100
Subsidiary of Apex Retail Sdn. Bhd.				
CS Health Store Sdn. Bhd.	Malaysia	Retailing of pharmaceutical products	**60**	60

\+ Consolidated using merger accounting.

^ Audited by member firms of Ernst & Young Global in the respective countries.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2012 (cont'd)

19. INVESTMENTS IN SUBSIDIARIES (cont'd)

During the financial year, the Group completed the following acquisitions:

(i) On 9 January 2012, the Company acquired an additional 30% equity interest in First SGC Pte. Ltd. ("FSGC") from its non-controlling interest for a consideration of RM2.45. As a result, FSGC became a wholly-owned subsidiary of the Company. The effects of the acquisition are disclosed in Note 28.

(ii) On 1 June 2012, Avex Pharmaceuticals Pte. Ltd. ("AVEX"), a wholly owned subsidiary of the Company, increased its issued and paid-up ordinary share capital from SGD 2 to SGD200,000 (equivalent to RM4 to RM490,000) by way of issuance of 199,998 ordinary shares of SGD1 for cash (equivalent to RM489,996). The issuance of new shares is fully subscribed by the Company and Avex continues to be a wholly owned subsidiary of the Company.

On 20 June 2012, Apex Pharmacy International Sdn. Bhd. ("API"), a wholly owned subsidiary of the Company commenced member's voluntary winding up proceedings. The subsidiary company was incorporated on 20 September 2004 in the Malaysia as a private limited company by shares with a paid up capital of RM1,500,000. The voluntary winding up of the subsidiary company does not have any material effect on the net assets and earnings per share of the Group. API has been officially wound up on 31 March 2013.

20. INVESTMENT IN ASSOCIATES

	Group	
	2012 RM	2011 RM
Unquoted shares at cost		
At beginning of the financial year	–	15,846,746
Reclassified to non-current assets held for sale	–	(15,846,746)
At end of financial year	–	–
Share of post-acquisition reserves		
At beginning of the financial year	–	33,746,684
Share of results	–	1,422,449
Dividend received	–	(661,199)
	–	34,507,934
Reclassified to non-current assets held for sale	–	(34,507,934)
At end of financial year	–	–
Net carrying amount	–	–

Details of the associate are as follows:

Name of associate	Place of incorporation	Principal activity	Effective equity interest 2012 %	2011 %
Xiamen Maidiken Science & Technology Co., Ltd. *	People's Republic of China	Investment holding	–	34.3

* Audited by a firm of auditors other than Ernst & Young.

20. INVESTMENT IN ASSOCIATES (cont'd)

Xiamen Maidiken Science & Technology Co., Ltd. ("MDK")

In the previous financial year, the Group's investment in associate, MDK, has been reclassified as non-current assets held for sale in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* following the approved plan by the Board of Directors to dispose the Group's investment in associate. The carrying amount reclassified to non-current assets held for sale is RM50,354,680 (Note 28).

The following represents the summarised financial information of the associate used by the Group in applying the equity method of accounting:

	2012 RM	2011 RM
Assets and liabilities		
Total assets	–	566,133,146
Total liabilities	–	410,564,129
Results		
Revenue	–	649,503,951
Profit	–	12,978,287

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

21. DEFERRED TAX

Deferred income tax as at 31 December relates to the following:

	As at 1 January 2011 RM	Withholding tax for investment in associate RM	Recognised in profit or loss (Note 13) RM	As at 31 December 2011 RM	Withholding tax for investment in associate RM	Recognised in profit or loss (Note 13) RM	As at 31 December 2012 RM
Group							
Deferred tax liabilities:							
Investment in an associate	1,773,038	142,245	–	1,915,283	(1,915,283)	–	–
Property, plant and equipment	3,292,929	–	1,089,043	4,381,972	–	286,105	4,668,077
Revaluation surplus of property, plant and equipment/ investment properties	1,874,358	–	–	1,874,358	–	–	1,874,358
	6,940,325	142,245	1,089,043	8,171,613	(1,915,283)	286,105	6,542,435
Deferred tax assets:							
Unutilised tax losses	–	–	(5,774)	(5,774)	–	5,774	–
Unabsorbed capital allowances	–	–	(23,389)	(23,389)	–	23,389	–
Provisions	(1,124,378)	–	(373,539)	(1,497,917)	–	36,939	(1,460,978)
	(1,124,378)	–	(402,702)	(1,527,080)	–	66,102	(1,460,978)
	5,815,947	142,245	686,341	6,644,533	(1,915,283)	352,207	5,081,457

21. DEFERRED TAX (cont'd)

Presented after appropriate offsetting as follows:

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Deferred tax assets	**(680,000)**	(748,000)	(359,000)
Deferred tax liabilities	**5,761,457**	7,392,533	6,174,947
	5,081,457	6,644,533	5,815,947

Tax consequences of proposed dividends

There are no income tax consequences (2011: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 15).

Deferred tax assets not recognised

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

	Group	
	2012 RM	**2011 RM**
Unused tax losses	**101,725**	656,351
Unutilised capital allowances	**42,047**	731,422
Other deductible temporary differences	**4,829**	4,829
	148,601	1,392,602

Unrecognised tax losses

At the reporting date, the Group has tax losses of approximately RM101,725 (2011: RM656,351) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused 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.

22. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2012 RM	**2011 RM**
Group		
Non-current		
Equity instruments (unquoted), representing total available-for-sale financial asset	**3,928,206**	3,928,206
Company		
Non-current		
Equity instruments (unquoted), at cost, representing available-for-sale financial asset	**3,870,090**	3,870,090

Further details on available-for-sale financial asset are disclosed in Note 37.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2012 (cont'd)

23. INVENTORIES

	Group	
	2012 RM	**2011 RM**
Cost		
Raw materials	**4,769,186**	4,887,539
Work-in-progress	**453,779**	996,437
Finished goods	**6,203,423**	5,999,952
Pharmaceutical products held for resale	**31,696,601**	31,213,733
	43,122,989	43,097,661

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM275,484,963 (2011: RM250,827,852). The reversal of write-down of inventories was made during the financial year when the related inventories were sold above their carrying amounts (Note 10).

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Trade receivables				
Third parties	**90,762,875**	86,358,693	–	–
Less: Allowance for impairment	**(1,899,996)**	(2,168,116)	–	–
Trade receivables, net	**88,862,879**	84,190,577	–	–
Other receivables				
Amounts due from subsidiaries:				
– interest bearing	–	–	**17,500,000**	24,935,000
– non-interest bearing	–	–	**30,951,406**	20,885,213
Deposits	**4,805,252**	412,047	**3,970**	3,970
Sundry receivables	**2,641,894**	1,979,760	–	–
	7,447,146	2,391,807	**48,455,376**	45,824,183
Less: Allowance for impairment	**(868,109)**	(850,747)	–	–
	6,579,037	1,541,060	**48,455,376**	45,824,183
Total trade and other receivables	**95,441,916**	85,731,637	**48,455,376**	45,824,183
Add: Cash and cash equivalents (Note 27)	**34,674,597**	22,802,398	**10,246,621**	6,333,802
Total loans and receivables	**130,116,513**	108,534,035	**58,701,997**	52,157,985

24. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2011: 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 are as follows:

	Group	
	2012 RM	2011 RM
Ringgit Malaysia	**71,439,008**	68,549,174
Singapore Dollar	**15,720,805**	14,052,291
United States Dollar	**1,660,516**	1,460,042
Others	**42,550**	129,070
	88,862,879	84,190,577

Ageing analysis of trade receivables

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

	Group	
	2012 RM	2011 RM
Neither past due nor impaired	**79,179,268**	75,504,933
1 to 30 days past due not impaired	**7,633,848**	7,273,010
31 to 60 days past due not impaired	**1,405,197**	1,107,575
61 to 90 days past due not impaired	**342,411**	259,064
More than 90 days past due not impaired	**302,155**	45,995
	9,683,611	8,685,644
Impaired	**1,899,996**	2,168,116
	90,762,875	86,358,693

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 experiences, 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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM9,683,611 (2011: RM8,685,644) 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.

24. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables (cont'd)

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		
	Collectively impaired RM	Individually impaired RM	Total RM
As at 31 December 2012			
Trade receivables			
– nominal amounts	**567,452**	**1,332,544**	**1,899,996**
Less: Allowance for impairment	**(567,452)**	**(1,332,544)**	**(1,899,996)**
	–	**–**	**–**
As at 31 December 2011			
Trade receivables			
– nominal amounts	712,816	1,455,300	2,168,116
Less: Allowance for impairment	(712,816)	(1,455,300)	(2,168,116)
	–	–	–

Movement in allowance for impairment accounts:

	Group	
	2012 RM	2011 RM
At beginning of financial year	**2,168,116**	2,226,612
Charge for the year (Note 10)	**1,042,310**	1,122,061
Written off	**(356,098)**	(318,695)
Reversal of impairment losses (Note 10)	**(958,531)**	(861,862)
Exchange differences	**4,199**	–
At end of financial year	**1,899,996**	2,168,116

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 repayable on demand. The weighted average effective interest rate for amounts due from subsidiaries which are interest bearing at reporting date is 4.00% (2011: 4.00%) per annum.

24. TRADE AND OTHER RECEIVABLES (cont'd)

(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.

Movement in allowance for impairment accounts:

	Group	
	2012 RM	**2011 RM**
At beginning of financial year	**850,747**	–
Charge for the year (Note 10)	**–**	850,747
Exchange differences	**17,362**	–
At end of financial year	**868,109**	850,747

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional amount RM	**Assets RM**	**Liabilities RM**
Group			
As at 31.12.2012			
Non-hedging derivatives:			
Forward currency contracts			
– in respect of sales transactions	**3,045,764**	**8,159**	**–**
– in respect of purchases transactions	**(868,323)**	**8,404**	**–**
		16,563	**–**
As at 31.12.2011			
Non-hedging derivatives:			
Forward currency contracts			
– in respect of sales transactions	2,399,292	–	(12,466)

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 and USD respectively for which firm commitment existed at the reporting date, extending to February 2013 for its purchases and May 2013 for its sales (2011: May 2012).

During the financial year, the Group recognised a gain of RM29,029 (2011: loss of RM59,442) 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 37.

26. INVESTMENT SECURITIES

	2012		2011	
	Carrying amount RM	Market value of quoted investments RM	Carrying amount RM	Market value of quoted investments RM
Group				
Fair value through profit or loss				
– Equity instruments (quoted outside Malaysia)	**30,494,001**	**30,494,001**	–	–

27. DEPOSITS WITH LICENSED BANKS, CASH AND BANK BALANCES

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between 14 days to 6 months depending on the immediate cash requirements of the Group and the Company, and earn interest rates at the respective short-term deposit rates.

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	
	2012	2011	2012	2011
Weighted average interest rate (%)	**2.63**	2.55	**3.10**	2.79
Average maturity days	**19**	20	**24**	21

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deposits with licensed banks	**20,825,370**	9,800,000	**9,825,370**	5,800,000
Cash and bank balances	**13,849,227**	13,002,398	**421,251**	533,802
Cash and cash equivalents (Note 24)	**34,674,597**	22,802,398	**10,246,621**	6,333,802

28. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2012 RM	**2011 RM**
At beginning of financial year	**50,244,680**	–
Reclassified from investment in associates (Note 20)	–	50,354,680
Less: Loss recognised on remeasurement of non-current asset classified as held for sale to fair value less cost to sell	–	(330,000)
Disposal of non-current assets	**(50,244,680)**	–
	–	50,024,680
Reclassified from investment properties (Note 17)	–	220,000
At end of financial year	–	50,244,680

(a) Disposal of investment in associate, Xiamen Maidiken Science & Technology Co., Ltd.

On 4 November 2011, the Company and its 70% owned subsidiary company, First SGC Pte. Ltd. ("FSGC") entered into a Master Agreement with Xiamen San Tai ("San Tai") and Mr. Wu Jin-Xiang to undertake the following equity restructuring exercise ("corporate exercise"):

(i) Shareholding of Xiamen Maidiken Science & Technology Co., Ltd. ("MDK")

FSGC to dispose its 49% equity interest in MDK to San Tai for a total cash consideration of RMB70 million (equivalent to RM34,867,687).

(i) Shareholding of FSGC

The Company to acquire the 30% equity interest in FSGC from its non-controlling interest, Enlove Pte. Ltd. ("Enlove"), for a total cash consideration of SGD1 (equivalent to RM2.45).

The parties to the Master Agreement agree that the above transactions are considered as full and final agreement amongst the parties whereby the sale and purchase of shares in MDK and FSGC upon the terms set out in the Master Agreement shall be for good consideration.

The total net disposal proceeds arising from the above corporate exercise amounted to RM34,867,685.

MDK and San Tai are related companies by virtue of having a common director.

Pursuant to the corporate exercise approval by the Board, the criteria to be classified as held for sale under FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* was regarded as met. Accordingly, the investment in an associate had been reclassified as non-current assets held for sale and re-measured at the lower of its carrying amount and fair value less costs to sell in the previous financial year.

28. NON-CURRENT ASSETS HELD FOR SALE (cont'd)

(a) Disposal of investment in associate, Xiamen Maidiken Science & Technology Co., Ltd. (cont'd)

The Group completed the corporate exercise on 9 January 2012 and the effects on the financial position of the Group as at the end of the financial year is as follows:

	RM
Total carrying amount of non-current assets held for sale	50,024,680
Less: Deferred tax liabilities arising from withholding tax on investment in an associate	(1,915,283)
Net carrying amount of non-current assets held for sale	48,109,397
Less: Effect of equisition of non-controlling interest	(13,241,712)
Group's interest in net carrying amount of non-current assets held for sale	34,867,685
Total disposal proceeds	34,867,685
Tax arising from disposal of investment in associate (Note 13)	(2,540,494)
Net cash inflow on disposal	32,327,191

(b) Disposal of investment property by a subsidiary, Apex Pharmacy Corporate Sdn. Bhd.

In the previous financial year, Apex Pharmacy Corporate Sdn. Bhd. ("APC") disposed its investment property for a total consideration of RM220,000 and received a deposit of RM22,000. The balance of the total consideration of RM198,000 was fully received during the current financial year.

The disposal was completed on 14 March 2012.

29. BORROWINGS

	Group	
	2012 RM	2011 RM
Current		
Secured:		
Term loans	–	2,267,076
Non-current		
Secured:		
Term loans	–	1,345,092
Total borrowings	–	3,612,168

29. BORROWINGS (cont'd)

The maturity of the term loans is as follows:

	Group 2012 RM	2011 RM
On demand or within one year	–	2,267,076
More than 1 year and less than 2 years	–	1,345,092
	–	3,612,168

Details of the terms of repayment are as follows:

Loan	Balance outstanding 2012 RM	2011 RM	Repayment term
Loan 1	–	1,583,303	84 principal monthly installments of RM130,953 each commencing from the following month after full release.
Loan 2	–	2,028,865	84 principal monthly installments of RM57,970 each commencing from the following month after full release.

The weighted average interest rates per annum of borrowings that were effective as at reporting date were as follows:

	2012 %	2011 %
Bank overdrafts	–	5.00
Term loans	–	4.23

Term loans at Effective Cost of Funds ("ECOF") + 0.75% per annum

Loans 1 and 2 are secured by a corporate guarantee from the Company (Note 35). The full settlement for term loans has been made on 30 July 2012.

Bank overdrafts

Bank overdrafts in the previous financial year were denominated in Singapore Dollars, bore interest at 5% per annum and were secured by a corporate guarantee from the Company (Note 35).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2012 (cont'd)

30. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade payables				
Third parties	**47,672,852**	45,507,755	–	–
Other payables				
Amounts due to subsidiaries:				
– non-interest bearing	–	–	–	829,951
Amounts due to related parties	**136,000**	160,000	–	–
Other payables	**6,113,242**	6,574,989	**42,527**	36,760
Other accruals	**11,809,561**	11,193,635	**1,199,123**	816,561
Accrual of directors' fee	**450,000**	450,000	**450,000**	450,000
	18,508,803	18,378,624	**1,691,650**	2,133,272
Total trade and other payables	**66,181,655**	63,886,379	**1,691,650**	2,133,272
Add: Borrowings (Note 29)	–	3,612,168	–	–
Total financial liabilities carried at amortised cost	**66,181,655**	67,498,547	**1,691,650**	2,133,272

The currency profile of payables is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	**48,869,804**	47,795,199	**1,691,650**	2,133,272
Singapore Dollar	**16,210,229**	14,678,652	–	–
United States Dollar	**714,649**	468,739	–	–
Euro	**245,424**	587,003	–	–
Others	**141,549**	356,786	–	–
	66,181,655	63,886,379	**1,691,650**	2,133,272

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2011: 30 to 90 days).

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 3 months (2011: 3 months).

(c) Amounts due to related parties

These amounts are unsecured, non-interest bearing and are repayable on demand. The relationship with the related parties are disclosed in Note 36.

31. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares of RM1 each		Amount	
	2012 Units	2011 Units	2012 RM	2011 RM
Authorised				
At beginning/end of financial year	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Issued and fully paid				
At beginning/end of financial year	**93,716,875**	93,716,875	**93,716,875**	93,716,875

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

32. OTHER RESERVES

	Asset revaluation reserve RM	Foreign currency translation reserve RM	Total RM
Group			
At 1 January 2011, under FRS	6,883,866	(135,823)	6,748,043
Effect of adopting MFRS 1	(6,883,866)	135,823	(6,748,043)
At 1 January 2011, under MFRS	–	–	–
Foreign-exchange translation differences	–	462,413	462,413
Non-controlling interest	–	(2,468)	(2,468)
At 31 December 2011	–	459,945	459,945
At 1 January 2012, under MFRS	**–**	**459,945**	**459,945**
Foreign-exchange translation differences	**–**	**904,593**	**904,593**
At 31 December 2012	**–**	**1,364,538**	**1,364,538**

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

(a) Asset revaluation reserve

The asset revaluation reserve represents increases in the fair value of land and buildings and decreases to the extent that such decrease relate to an increase on the same asset previously recognised in other comprehensive income.

Upon transition to MFRS, the revaluation reserve were transferred to retained earnings at date of transition to MFRS.

(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.

Upon transition to MFRS, the cumulative foreign currency translation differences were adjusted against retained earnings at date of transition to MFRS.

33. RETAINED EARNINGS

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

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2012 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2012, the Company has sufficient credit in the Section 108 balance and tax-exempt income account to pay franked dividends and tax-exempt dividends amounting to RM2,125,000 and RM8,887,183 respectively (2011: RM9,856,000 and RM6,923,000 respectively) out of its retained earnings. If the balance of the retained earnings of RM13,241,682 (2011: RM852,952) were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

34. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Approved and contracted for:				
Property, plant and equipment	**27,091,715**	–	**7,000**	–
Approved but not contracted for:				
Property, plant and equipment	**9,386,032**	9,817,849	–	–
Intangible assets	**–**	200,000	–	–
	36,477,747	10,017,849	**7,000**	–

(b) Operating lease commitments – as lessee

The future minimum lease payments under non-cancellable operating lease contracted as at reporting date are as follows:

	Group	
	2012 RM	2011 RM
Not later than one year	**890,465**	1,432,806
Later than one year and not later than five years	**438,464**	344,887
	1,328,929	1,777,693

35. FINANCIAL GUARANTEES

The Company has provided corporate guarantees to banks of RM6,800,477 (2011: RM9,628,092) for credit facilities granted to subsidiaries.

As at reporting date, no values are ascribed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiary companies as these facilities are either not utilised or have been fully settled as at the reporting date.

In the previous financial year, the banking facilities granted to a subsidiary company are collateralised by charges over the property, plant and equipment of the subsidiary company and the directors have regarded the value of the credit enhancement provided by the corporate guarantees as minimal.

36. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

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

	Company	
	2012 RM	**2011 RM**
Management service fees received from subsidiary companies	**1,896,075**	1,720,178
Interest income received from subsidiary companies	**829,737**	1,061,898
Dividend income received from subsidiary companies	**21,650,000**	17,398,650
Rental expense paid to subsidiary companies	**(325,800)**	(291,118)

Information regarding outstanding balances arising from related party transactions as at 31 December 2012 are disclosed in Note 24 and Note 30.

(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	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Short-term employment benefits	**7,625,824**	7,047,211	**2,167,327**	1,933,744
Post-employment benefit:				
– Defined contribution plans	**875,629**	713,048	**244,347**	180,729
Other long-term benefits	**32,097**	31,918	**16,049**	15,948
	8,533,550	7,792,177	**2,427,723**	2,130,421

Included in the total key management personnel is:

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Director's remuneration (Note 12)	**2,025,700**	1,732,486	**653,208**	512,647

37. 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:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
At 31 December 2012				
Financial assets:				
Derivatives – Forward currency contracts	**–**	**16,563**	**–**	**16,563**
Investment securities	**30,494,001**	**–**	**–**	**30,494,001**
	30,494,001	**16,563**	**–**	**30,510,564**
At 31 December 2011				
Financial liabilities:				
Derivatives – Forward currency contracts	–	(12,466)	–	(12,466)

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. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between the fair value hierarchy during the financial years ended 2012 and 2011.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	2012 Carrying amount RM	2012 Fair value RM	2011 Carrying amount RM	2011 Fair value RM
Group					
Financial assets:					
Available-for-sale financial asset	22	**3,928,206**	*	3,928,206	*
Company					
Financial assets:					
Available-for-sale financial asset	22	**3,870,090**	*	3,870,090	*

* Investment in equity instruments carried at cost

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in Maritzberg Investments Ltd. that is not quoted on any market and does not have any comparable industry peer that is listed. The Group does not intend to dispose of this investment in the foreseeable future. The Group intends to eventually dispose this investment through sale to institutional investors.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(c) Determination of fair value

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation 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)	24
Borrowings (non-current and current)	29
Trade and other payables (current)	30

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.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

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.

Amounts due from subsidiaries, loans from subsidiaries and floating rate bank loans

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Financial guarantees

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 party guaranteed were to default.

38. 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 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.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Foreign currency exchange 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 US Dollars ("USD") and Euro. Foreign currency exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Approximately 3% (2011: 2%) of the Group's sales are denominated in foreign currencies.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances amount to RM1,248,897 (2011: RM1,431,644).

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 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 companies that are not denominated in their functional currencies are as follows:

	Group	
	2012 RM	**2011 RM**
Trade receivables		
United States Dollar	**1,660,516**	1,460,042
Singapore Dollar	**912,316**	332,893
Others	**42,550**	129,072
	2,615,382	1,922,007

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Foreign currency exchange risk (cont'd)

	Group	
	2012 RM	**2011 RM**
Trade and other payables		
United States Dollar	**(714,649)**	(468,739)
Singapore Dollar	**(853,889)**	(1,531,372)
Euro	**(245,424)**	(587,003)
Others	**(141,549)**	(356,786)
	(1,955,511)	(2,943,900)

Sensitivity analysis for foreign currency risk

The Group's exposure to currency risk is not significant in the context of the financial statements and accordingly the sensitivity analysis is not presented.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and 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 loans and borrowings at floating rate.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

The Group's exposure to interest rate risk is not significant in the context of the financial statements and accordingly the sensitivity analysis is not presented.

(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.

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:

	2012		**2011**	
	RM	**% of total**	**RM**	**% of total**
By industry sectors				
Malaysia Private Sector	**69,919,434**	**78.68%**	64,524,201	76.64%
Malaysia Government Sector	**1,566,036**	**1.76%**	4,130,035	4.91%
Singapore Private Sector	**15,096,186**	**16.99%**	13,817,707	16.41%
Export Market	**2,281,223**	**2.57%**	1,718,634	2.04%
	88,862,879	**100.00%**	84,190,577	100.00%

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Credit risk (cont'd)

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 24. 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 24.

(d) Liquidity

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group'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 aims at maintaining flexibility in funding by keeping committed credit lines available.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Total RM
Group			
At 31 December 2012			
Financial liabilities:			
Trade and other payables	**66,181,655**	**–**	**66,181,655**
Total	**66,181,655**	**–**	**66,181,655**
At 31 December 2011			
Financial liabilities:			
Trade and other payables	63,886,379	–	63,886,379
Borrowings	2,419,509	1,428,260	3,847,769
Total	66,305,888	1,428,260	67,734,148
Company			
At 31 December 2012			
Financial liabilities:			
Trade and other payables	**1,691,650**	**–**	**1,691,650**
At 31 December 2011			
Financial liabilities:			
Trade and other payables	2,133,272	–	2,133,272

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio to not more than 40%. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent.

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Loans and borrowings	29	–	3,612,168	–	–
Trade and other payables	30	**66,181,655**	63,886,379	**1,691,650**	2,133,272
Less: Cash and cash equivalents	27	**(34,674,597)**	(22,802,398)	**(10,246,621)**	(6,333,802)
Net debt/(cash)		**31,507,058**	44,696,149	**(8,554,971)**	(4,200,530)
Equity attributable to the owners of the parent, representing total capital		**216,310,434**	198,810,705	**117,970,740**	111,348,827
Capital and net debt		**247,817,492**	243,506,854	**109,415,769**	107,148,297
Gearing ratio		**13%**	18%	–	–

40. 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

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.

40. SEGMENT INFORMATION (cont'd)

	Manufacturing and marketing		Wholesale and distribution		Corporate		Adjustments and eliminations		Notes	Consolidated	
	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM		2012 RM	2011 RM
Revenue											
External revenue	**25,223,205**	34,830,604	**367,184,738**	325,890,936	**6,196,033**	5,280,073	**–**	–		**398,603,976**	366,001,613
Inter-segment revenue	**65,236,016**	49,887,479	**–**	1,008,871	**24,984,367**	20,773,843	**(90,220,383)**	(71,670,193)	A	**–**	–
Total revenue	**90,459,221**	84,718,083	**367,184,738**	326,899,807	**31,180,400**	26,053,916	**(90,220,383)**	(71,670,193)		**398,603,976**	366,001,613
Results											
Interest income	**148,195**	140,871	**720**	239	**396,562**	60,206	**–**	–		**545,477**	201,316
Interest expense	**(74,591)**	(268,401)	**(762,345)**	(959,052)	**(105,535)**	(121,802)	**829,737**	1,061,898	A	**(112,734)**	(287,357)
Fair value gain on investment properties	**–**	–	**–**	–	**–**	22,400	**–**	(22,400)	A	**–**	–
Depreciation and amortisation	**(5,648,003)**	(4,889,622)	**(1,342,030)**	(1,524,296)	**(290,064)**	(233,845)	**–**	(36,192)	A	**(7,280,097)**	(6,683,955)
Share of results of associates	**–**	–	**–**	–	**–**	1,280,204	**–**	–		**–**	1,280,204
Other non-cash gain/ (expenses)	**(21,000)**	(7,960)	**(97,787)**	(1,996,555)	**(5,789)**	337,178	**155,000**	(330,000)	B	**30,424**	(1,997,337)
Segment results (external)	**28,191,197**	25,576,735	**18,282,088**	13,652,092	**(2,332,215)**	(1,668,663)	**(1,791,656)**	(1,782,688)	C	**42,349,414**	35,777,476
Assets and liabilities											
Additions to non-current assets	**6,384,473**	11,034,682	**904,456**	1,731,929	**282,287**	3,950,771	**–**	(3,465,500)	D	**7,571,216**	13,251,882
Segment assets	**81,847,886**	75,474,623	**152,368,492**	142,247,353	**54,658,690**	69,010,377	**1,260,226**	1,316,636	E	**290,135,294**	288,048,989
Segment liabilities	**(8,455,698)**	(10,545,086)	**(54,690,916)**	(50,740,760)	**(3,035,041)**	(2,612,999)	**(7,501,295)**	(12,009,767)	F	**(73,682,950)**	(75,908,612)
Other information											
Depreciation and amortisation	**5,648,003**	4,889,622	**1,342,030**	1,524,296	**290,064**	233,845	**–**	36,192		**7,280,097**	6,683,955
Fair value adjustment of investment properties	**–**	–	**–**	–	**–**	22,400	**–**	(22,400)		**–**	–
Non-cash items other than depreciation an amortisation	**(21,000)**	(7,960)	**(97,787)**	(1,996,555)	**(5,789)**	337,178	**155,000**	(330,000)		**30,424**	(1,997,337)

40. SEGMENT INFORMATION (cont'd)

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash (gain)/expenses consist of the following items as presented in the respective notes to the financial statements:

	2012 RM	2011 RM
Bad debts written off	–	2,925
Impairment loss on financial assets, net of reversals	**83,779**	1,110,946
Reversal of inventories written down	**(868,159)**	(321,423)
Inventories written off	**218,184**	121,519
Inventories written down	**715,008**	1,030,960
Loss recognised on re-measurement to fair value less cost to sell	–	330,000
Property plant and equipment written off	**2,325**	8,431
Unrealised gain on foreign exchange	**(152,532)**	(345,463)
Fair value changes on derivatives instruments	**(29,029)**	59,442
	(30,424)	1,997,337

C Unallocated corporate expense of RM1,791,656 (2011: RM1,782,688) was deducted from segment profit to arrive at "Profit before tax from continuing operations" presented in the consolidated statement of comprehensive income.

D Additions to non-current assets consist of:

	2012 RM	2011 RM
Property, plant and equipment	**7,481,706**	13,240,292
Investment properties	**36,580**	–
Intangible assets	**52,930**	11,590
	7,571,216	13,251,882

E The following items were added to segment assets in arriving at total assets reported in the consolidated statement of financial position:

	2012 RM	2011 RM
Deferred tax assets	**680,000**	748,000
Tax recoverable	**580,226**	568,636
	1,260,226	1,316,636

40. SEGMENT INFORMATION (cont'd)

F The following items were added to segment liabilities in arriving at total liabilities reported in the consolidated statement of financial position:

	2012 RM	2011 RM
Borrowings	–	3,612,168
Current tax payable	**1,739,838**	1,005,066
Deferred tax liabilities	**5,761,457**	5,477,250
Deferred tax liabilities on share of associate profit	–	1,915,283
	7,501,295	12,009,767

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysia	**314,574,668**	292,382,050	**75,224,991**	74,858,366
Singapore	**84,029,308**	73,619,563	**5,896,617**	5,989,547
	398,603,976	366,001,613	**81,121,608**	80,847,913

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2012 RM	2011 RM
Property, plant and equipment	**76,441,850**	76,111,417
Investment properties	**3,482,980**	3,518,200
Intangible assets	**1,196,778**	1,218,296
	81,121,608	80,847,913

41. SUBSEQUENT EVENT

On 18 January 2013, the Company's wholly owned subsidiary, ABio Marketing Sdn. Bhd. completed its acquisition of 40% equity representing 2,000,000 ordinary shares in Abio Orthopaedics Sdn. Bhd. ("AO") for a total consideration of RM4,988,000. The business of AO is the contract manufacturing of surgical grade orthopaedics devices, components and instruments for multinational orthopaedics companies.

42. SUPPLEMENTAL INFORMATION

The breakdown of the retained profits of the Group and of the Company as at 31 December 2012 into realised and unrealised profits is presented in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
Realised	**141,236**	104,608	**24,254**	17,632
Unrealised	**(2,433)**	(2,059)	**–**	–
	138,803	102,549	**24,254**	17,632
Total share of retained profits from a sociated companies:				
Realised	**–**	27,520	**–**	–
Unrealised	**–**	6,988	**–**	–
	138,803	137,057	**24,254**	17,632
Less: Consolidation adjustments	**(17,574)**	(32,423)	**–**	–
Total retained profits	**121,229**	104,634	**24,254**	17,632

LIST OF PROPERTIES AT 31 DECEMBER 2012

	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 PHARMACY CORPORATE SDN BHD							
1	Unit No F120 First Floor, Holiday Plaza Jalan Dato' Sulaiman Century Garden Johor Bahru Johor Darul Takzim	–	158	Leased / 1 parcel of commercial space located on the 1st floor of Holiday Plaza	Freehold / 28 years old	900,580	Revalued – Dec 2011
2	Unit No B5 Level 1, Block B Pusat Bandar Damansara Jalan Damanlela Kuala Lumpur	–	116	Leased / 1 unit of intermediate shoplots	Freehold / 28 years old	1,200,000	Revalued – Dec 2011
3	Unit No B6 Level 1, Block B Pusat Bandar Damansara Jalan Damanlela Kuala Lumpur	–	133	Leased / 1 unit of intermediate shoplots	Freehold / 28 years old	1,382,400	Revalued – Dec 2011
4	No 83 Jalan Munshi Abdullah Melaka	130	330	Pharmacy outlet / 3–storey terraced shophouse	Freehold / 48 years old	450,400	Revalued – Dec 2011
5	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) 22 years old	705,000	Revalued – Dec 2011
6	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) 12 years old 281,250	281,250	Revalued – Dec 2011
7	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) 12 years old	384,375	Revalued – Dec 2011
8	No 21 Jalan Permas Jaya 9/12 Bandar Baru Permas Jaya Masai Johor	279	369	1 1/2 – storey terraced warehouse cum office	Freehold 13 years old	362,000	Revalued – Dec 2011

LIST OF PROPERTIES AT 31 DECEMBER 2012 (cont'd)

	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							
9	No 1-5 Jalan TTC 1 Cheng Industrial Estate Melaka	29,266	16,063	Factory Complex / 1 1/2 – storey Factory Building	Leasehold / (exp. 2096) 20 years old	21,565,143	Revalued – Dec 2009
10	No 1-5 Jalan TTC 1 Cheng Industrial Estate Melaka	9,700	–	Car park	Leasehold / (exp. 2096)	1,799,667	Revalued – Dec 2009
APEX PHARMACY MARKETING SDN BHD							
11	No 2 Jalan SS 13/5 Subang Jaya Selangor Darul Ehsan	10,116	929	Industrial Land / Corporate Office and Warehouse	Freehold 8 years old	15,231,346	Revalued – Dec 2009
APEX PHARMA MARKETING PTE LTD							
12	49 Tannery Lane #04-01 & 04-07 Noble Warehouse Singapore 347796	–	700	Industrial Land / Warehouse	Freehold 27 years old	4,522,998	Revalued – Dec 2009
		49,853	19,547			48,785,159	

ANALYSIS OF SHAREHOLDINGS As at 29 March 2013

AUTHORISED SHARE CAPITAL	: RM 100,000,000
ISSUED AND FULLY PAID-UP CAPITAL	: RM 93,716,875
CLASS OF SHARES	: ORDINARY SHARE OF RM 1.00 EACH
VOTING RIGHTS	: 1 VOTE PER ORDINARY SHARE

ANALYSIS BY SIZE OF HOLDINGS

CATEGORY	NO. OF HOLDERS	%	NO. OF SHARES	%
1 – 99	74	4.68	3,298	0.00
100 – 1,000	151	9.55	107,425	0.11
1,001 – 10,000	1,061	67.11	3,637,638	3.88
10,001 – 100,000	240	15.18	6,407,226	6.84
100,001 – 4,685,842	52	3.29	17,240,400	18.40
4,685,843 AND ABOVE	3	0.19	66,320,888	70.77
TOTAL :	1,581	100.00	93,716,875	100.00

LIST OF TOP 30 HOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
1	APEX PHARMACY HOLDINGS SENDIRIAN BERHAD	37,950,711	40.50
2	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	14,848,750	15.84
3	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	13,521,427	14.43
4	LIM TEH REALTY SDN BERHAD	1,300,000	1.39
5	HSBC NOMINEES (ASING) SDN BHD KBL EURO PB FOR HALLEY SICAV – HALLEY ASIAN PROSPERITY	1,294,300	1.38
6	LIEW YOON YEE	1,073,500	1.15
7	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR SKANDINAVISKA ENSKILDA BANKEN ABB(SWEDISH CLIENTS)	1,007,700	1.08
8	MD ALI BIN MD DEWAL	803,885	0.86
9	MAYBANK NOMINEES (ASING) SDN BHD DBS BANK FOR KEE KIRK CHIN (211434)	750,000	0.80
10	ROSINA BINTI ALADAD KHAN	718,750	0.77
11	LIEW YOON YEE	630,000	0.67
12	TEOH CHOON NEO @ IVY TEOH CHOON NEO	500,000	0.53
13	CHAN HENG KOON	460,000	0.49
14	TAN YAN MENG WARREN	421,875	0.45
15	SINGAM A/L KUMARASAMY	405,000	0.43

ANALYSIS OF SHAREHOLDINGS As at 29 March 2013 (cont'd)

LIST OF TOP 30 HOLDERS (cont'd)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
16	YEO LEE HEE	389,000	0.42
17	CITIGROUP NOMINEES (ASING) SDN BHD CB SPORE GW FOR FIRTH ASIAN SMALLER COMPANIES FUND	365,800	0.39
18	TENGKU PUAN NOR SA'ADAH BINTI AL-MARHUM SULTAN SULAIMAN SHAH	342,465	0.37
19	CARTABAN NOMINEES (TEMPATAN) SDN BHD OSK TRUSTEES BERHAD FOR MAAKL-HW SHARIAH PROGRESS FUND	327,400	0.35
20	XEPA HOLDINGS SDN BHD	325,000	0.35
21	OH SIEW HEONG	300,000	0.32
22	ONG WOAN HUA	290,000	0.31
23	LAI SIEW NGOH	289,100	0.31
24	TAN YAN MENG WARREN	281,250	0.30
25	AHMAD KAMAL BIN MD ALIF	262,500	0.28
26	KEE TAH PENG @ HEE TECK PENG	256,250	0.27
27	APEX HOLDINGS (PTE) LTD	255,000	0.27
28	TEOH CHOON NEO @ IVY TEOH CHOON NEO	250,000	0.27
29	MARGARET LIM	240,000	0.26
30	LIM KHUAN ENG	232,000	0.25
TOTAL		80,091,663	85.49

ANALYSIS OF SHAREHOLDINGS As at 29 March 2013 (cont'd)

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct No. of Ordinary Shares held	Direct %	Indirect No. of Ordinary Shares held	Indirect %
Apex Pharmacy Holdings Sdn Bhd	37,950,711	40.50	–	–
Washington H Soul Pattinson and Company Limited	28,370,177	30.27	–	–
Xepa Holdings Sdn Bhd	325,000	0.35	37,950,711[1]	40.50
Apex Holdings (Pte) Ltd	255,000	0.27	38,275,711[1]	40.84
Kee Tah Peng @ Hee Teck Peng	256,250	0.27	38,568,211[4]	41.15
Dr Kee Kirk Chin	750,000[2]	0.80	38,530,711[1]	41.11
Xepa Holdings Pte Ltd	–	–	38,530,711[1]	41.11
Yang Liew Fang	–	–	38,530,711[1]	41.11
Kee Kirk Chuen	37,500[3]	0.04	38,530,711[1]	41.11
Dr Kee Loo	–	–	38,530,711[1]	41.11
United Engineers Limited	–	–	37,950,711[1]	40.50
UE UMC Pte Ltd	–	–	37,950,711[1]	40.50
Oversea-Chinese Banking Corporation Limited	–	–	37,950,711[1]	40.50
Great Eastern Holdings Limited	–	–	37,950,711[1]	40.50

Notes:

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

DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings)

Name of Directors	Direct No. of Ordinary Shares held	Direct %	Indirect No. of Ordinary Shares held	Indirect %
Dr Kee Kirk Chin	750,000[2]	0.80	38,530,711[3]	41.11
Kee Tah Peng @ Hee Teck Peng	256,250	0.27	38,568,211[1]	41.15
Jackson Chevalier Yap-Kit-Siong	18,750	0.02	–	–
Leong Khai Cheong	118,750	0.13	–	–
Robert Dobson Millner	18,750	0.02	–	–
Dr Ahmad Kamal Bin Md Alif	262,500	0.28	–	–
Mae Heng Su-Ling	–	–	–	–

Notes:

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

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting ("AGM") of Apex Healthcare Berhad ("AHB") will be held at Bunga Teratai Room, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Wednesday, 22nd May 2013 at 10.00 a.m. to transact the following business:-

As Ordinary Business

1. To receive the Statutory Financial Statements for the financial year ended 31st December 2012 together with the Directors' and Auditors' Reports thereon. **Resolution 1**

2. To approve final dividends comprising a taxable dividend of 3 sen gross per share and a tax-exempt dividend of 3 sen per share, as well as a tax-exempt special dividend of 5 sen per share for the financial year ended 31st December 2012. **Resolution 2**

3. To approve the payment of Directors' fees for the financial year ended 31st December 2012. **Resolution 3**

4. To re-elect the following Directors who retire in accordance with Article 89 of the Company's Articles of Association:

   i. Leong Khai Cheong **Resolution 4**

   ii. Robert Dobson Millner **Resolution 5**

5. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 6**

As Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:

6. RE-APPOINTMENT OF DIRECTOR OVER SEVENTY (70) YEARS OF AGE **Resolution 7**

   "THAT Kee Tah Peng @ Hee Teck Peng, who retires pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."

7. RETENTION OF MR LEONG KHAI CHEONG AS INDEPENDENT DIRECTOR **Resolution 8**

   "THAT subject to the passing of Resolution 4 above and in accordance with the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), Mr Leong Khai Cheong be and is hereby retained as Independent Non-Executive Director of the Company and to hold office until the conclusion of the next Annual General Meeting."

8. RETENTION OF DR AHMAD KAMAL BIN MD ALIF AS INDEPENDENT DIRECTOR **Resolution 9**

   "THAT in accordance with the MCCG 2012, Dr Ahmad Kamal bin Md Alif be and is hereby retained as Independent Non-Executive Director of the Company and to hold office until the conclusion of the next Annual General Meeting."

9. AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES **Resolution 10**

   "THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue new shares in the Company at any time, at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (cont'd)

10. To consider and if thought fit, to pass the following Special Resolution, with or without modifications:

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION **Resolution 11**

"THAT the amendments to the Articles of Association of the Company with details as set out below be and is hereby approved AND THAT the Directors and/or the Secretary of the Company be hereby authorised to take all steps as they may consider necessary and expedient in order to give full effect to the Proposed Amendments to the Company's Articles of Association."

Article No.	EXISTING PROVISIONS	Article No.	PROPOSED AMENDMENTS
2	*Interpretation Clause*	2.	*Interpretation Clause*
	Deposited Security - Shall have the meaning given in Section 2 of the Securities Industry (Central Depositories) Act 1991.		Deposited Security - A security standing to the credit of a securities account and includes a security in a securities account that is in suspense.
	Rules of the Depository - Shall have the meaning given in section 2 of the Securities Industry (Central Depositories) Act 1991.		Rules/Rules of the Depository - The Rules of Bursa Malaysia Depository Sdn Bhd, including any amendment that may be made from time to time.
	The Act - The Companies Act, 1965 and every other written law for the time being in force affecting the Company.		The Act - The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force.
	The Register - The register of members of the Company		The Register/Register of Members - The Register of Members to be kept pursuant to Section 158 of the Act.
	New provision		CMSA - The Capital Markets and Services Act 2007 or any statutory modification, amendments or re-enactment thereof for the time being in force.
	New provision		Listing Requirements - Unless the context otherwise requires, means the Main Market Listing Requirements of the Exchange including any relevant practice and/or guidance notes, directives, guidelines issued pursuant thereto and any amendment, supplemental, modification to the same that may be made from time to time.
	New provision		Security/Securities - Has the meaning given in Section 2 (1) of the CMSA.
	New provision		Securities Account - An account established by the Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor.

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (cont'd)

Article No.	EXISTING PROVISIONS	Article No.	PROPOSED AMENDMENTS
71.	*How votes may be given and who can act as proxy* Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, every member present in person or by proxy or represented by attorney on a show of hands on any question shall have one vote and upon a poll every such member shall have one vote for every share held by him. A member may appoint not more than two proxies to attend at the same meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. Where a member of the company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account. A proxy need not be a member of the Company, an advocate, an approved Company auditor, or a person approved by the Registrar (the provisions of Section 149(1) of the Act shall not apply), and shall be entitled to vote on a show of hands on any question at any General Meeting.	71.	*How votes may be given and who can act as proxy* Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, every member present in person or by proxy or represented by attorney on a show of hands on any question shall have one vote and upon a poll every such member shall have one vote for every share held by him. A member may appoint not more than two proxies to attend at the same meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. Where a member of the company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint **not more than two proxies** in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account. **Where a member who is an authorised nominee appoints more than one proxy, the appointment shall be invalid unless the authorised nominee specifies the proportions of its holdings to be represented by each proxy.** A proxy need not be a member of the Company, an advocate, an approved Company auditor, or a person approved by the Registrar (the provisions of Section 149(1) of the Act shall not apply), and shall be entitled to vote on a show of hands on any question at any General Meeting. **There shall be no restriction as to the qualification of the proxy(ies). A proxy appointed to attend and vote at a meeting shall have the same rights as the member to speak at the meeting.**
-	*New Provision*	71(1)	a) **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.** (b) **An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.**

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (cont'd)

Article No.	EXISTING PROVISIONS	Article No.	PROPOSED AMENDMENTS
130.	*Mode of Payment of Dividend* Unless otherwise directed, any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque, warrant or banker's draft sent through the post to the registered address of the members or to such person entitled thereto or in case of joint holders to that one whose name shall stand first on the register in respect of the joint holding, or paid via electronic transfer or other methods of funds transfer to such account as designated by such member, and every cheque, warrant, banker's draft or electronic transfer so sent shall be made payable to the order of the person to whom it is sent. Every such cheque or warrant or banker's draft or electronic transfer shall be sent at the risk of the person entitled to the money represented thereby. The Company shall not be responsible for the loss of any cheque, warrant or banker's draft which shall be sent by post duly addressed to the member for whom it is intended.	130.	*Mode of Payment of Dividend* **Subject to the provisions of the Act, the Central Depositories Act, the Rules, the Listing Requirements and/or any directives issued from time to time by the regulatory authorities,** any dividend, interest, or other money payable in cash in respect of **securities including cash distributions as prescribed by the Exchange,** may be paid by cheque, warrant or banker's draft sent through the post to the registered address of the members or to such person entitled thereto or in **the** case of joint holders to that one whose name shall stand first in the **Register or Record of Depositors** in respect of the joint holding, **or if several persons are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and such address as such person or persons may by writing direct,** or paid via electronic transfer or other methods of funds transfer to such account as designated by such member **or the person entitled to such payment,** and every cheque, warrant, banker's draft or electronic transfer so sent shall be made payable to the order of the person to whom it is sent. Every such cheque or warrant or banker's draft or electronic transfer shall be sent at the risk of the person entitled to the money represented thereby. The Company shall not be responsible for the loss of any cheque, warrant or banker's draft which shall be sent by post duly addressed to the member for whom it is intended

11. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT the final dividends comprising a taxable dividend of 3 sen gross per share and a tax-exempt dividend of 3 sen per share, as well as a tax-exempt special dividend of 5 sen per share for the financial year ended 31st December 2012, if approved, will be paid on 31st May 2013. The entitlement date for the payment is 27th May 2013.

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 27th May 2013 in respect of transfer; and

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

BY ORDER OF THE BOARD

KWONG LIEN WAH (MIA 3422)
YEOH CHONG KEAT (MIA 2736)
Secretaries

Melaka
29th April 2013

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (cont'd)

Notes:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 16th May 2013 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this meeting.

(ii) 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.

(iii) Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.

(iv) 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 (the provisions of Section 149(1) of the Companies Act, 1965 shall not apply).

(v) 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.

(vi) 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.

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

Explanatory Notes under Special Business

(a) **Resolution 7**

This proposed resolution is in accordance with Section 129 of the Companies Act, 1965 and if passed, Mr Kee Tah Peng @ Hee Teck Peng, who is over seventy (70) years of age, will be re-appointed as Director of the Company and will hold office until the conclusion of the next Annual General Meeting.

(b) **Resolution 8**

Mr Leong Khai Cheong 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 MCCG 2012. In accordance with the MCCG 2012, the Board of Directors of the Company, after having assessed the independence of Mr Leong, considers him to be independent based on amongst others, the following justifications and recommends 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 Listing Requirements of Bursa Securities;

(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) **Resolution 9**

Dr Ahmad Kamal bin Md Alif was appointed as an Independent Non-Executive Director of the Company on 23rd May 2001 and has reached the nine (9) years term limit prescribed by the MCCG 2012. In accordance with the MCCG 2012, the Board of Directors of the Company, after having assessed the independence of Dr Ahmad Kamal, considers him to be independent based on amongst others, the following justifications and recommends that Dr Ahmad Kamal 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 Listing Requirements of Bursa Securities;

(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 Dr Ahmad Kamal 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.

(d) **Resolution 10**

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 nominal value of any such shares issued during the preceding twelve (12) months, does not exceed 10% of the total issued share capital 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 2012 which was not exercised by the Company during the year, will expire at the forthcoming Fourteenth 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.

(e) **Resolution 11**

This proposed resolution, if passed, will streamline the Company's Articles of Association with the provisions of the Listing Requirements of Bursa Securities as well as for housekeeping purpose.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Directors who are standing for re-election and re-appointment at the Fourteenth Annual General Meeting

i. Directors retiring in accordance with Article 89 of the Company's Articles of Association:

Leong Khai Cheong

Robert Dobson Millner

ii Directors retiring in accordance with Section 129(2) of the Companies Act, 1965:

Kee Tah Peng @ Hee Teck Peng

Details of the above Directors seeking re-election and re-appointment are set out in the Directors' Profile from pages 17 to 19.

ADDITIONAL INFORMATION

1 Non-Audit Fees

The amount of non-audit fees paid and payable to the external auditors, Ernst & Young, by the Group for the financial year ended 31st December 2012 amounted to RM 55,000.

2 Material Contracts

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

3 Recurrent Related Party Transactions

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

4 Sanctions

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

5 Directors' Responsibility for Preparing The Financial Statements

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

In preparing the financial statements, the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgments 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 1965. The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

FORM OF PROXY

APEX HEALTHCARE BERHAD (473108-T)
(Incorporated in Malaysia)

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 ______________________
(Full name in block letters)

of ____
(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 Fourteenth Annual General Meeting of the Company to be held at Bunga Teratai Room, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Wednesday, 22 May 2013 at 10.00 a.m. and at any adjournment thereof on the following resolutions referred to in the Notice of Fourteenth Annual General Meeting.

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

	RESOLUTIONS	*FOR	*AGAINST
1.	To receive the Statutory Financial Statements for the financial year ended 31 December 2012 together with the Directors' and Auditors' Reports thereon.		
2.	To approve final dividends comprising a taxable dividend of 3 sen gross per share and a tax-exempt dividend of 3 sen per share, as well as a tax-exempt special dividend of 5 sen per share for the financial year ended 31 December 2012.		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2012.		
4.	To re-elect Leong Khai Cheong as Director of the Company.		
5.	To re-elect Robert Dobson Millner as Director of the Company.		
6.	To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration.		
7.	To re-appoint Kee Tah Peng @ Hee Teck Peng as Director of the Company.		
8.	To retain Leong Khai Cheong as Independent Director of the Company.		
9.	To retain Dr Ahmad Kamal bin Md Alif as Independent Director of the Company.		
10.	To authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		
11.	To amend the Company's Articles of Association.		

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

Dated this ____________ day of ____________ 2013

____
Signature of Member(s) or Common Seal

Notes:

(i) In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 16 May 2013 shall be eligible to attend, speak and vote at this meeting or appoint proxy(ies) to attend and vote on his/her behalf.

(ii) 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.

(iii) 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 (the provisions of Section 149(1) of the Companies Act, 1965 shall not apply). Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.

(iv) 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.

(v) 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.

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

AFFIX
STAMP

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

DIRECTORY OF DISTRIBUTION DEPOTS

Branch and Address	Tel Number	Fax No	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 Loo Kok Yuan (GM - Distribution) Mr Choong Foo Peng (Asst GM - Pharma) Ms Ang Girl Bee (Asst GM - Consumer Healthcare) Ms Tan Pei Leng (Asst GM - Wholesale) Ms Lee Siew Bee (F&A Manager) Mr Ling Chin Huat (ICT Manager) Ms Wong Mei Ling (Product Manager - Pharma) Ms Rosalind Liew Lee Fong (Product Manager - Pharma) Ms Yong Woon Shin (Operations Manager) Ms Beh Gim Sang (Regulatory Affairs Manager)
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 (Pharmacist)
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			
18, Jalan Dato Abdul Rahman 70000 Seremban N. Sembilan	06-764 2810	06-767 0327	Ms Tan Pei Leng (Asst GM - Wholesale)
JOHOR			
21, Jalan Permas 9/12 Bandar Baru Permas Jaya 81750 Masai, Johor Bahru Johor	07-386 2440 07-386 2449 07-386 2790	07-386 2771	Ms Melissa Hong Chui Ean (Pharmacist)
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 (Branch Manager)
PENANG			
No 36, Jalan Perusahaan Jelutong Satu 11600 Penang	04-281 5891 04-281 5896	04-281 5850	Ms Kew Miaw Fung (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			
No 12, Harper Road #06-00 Sulisam Building Singapore 369677	02-6741 3803	02-6749 3839	Ms Loh Pei Juin (General Manager)