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

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	3 MONTHS ENDED		YEAR ENDED	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
		RM'000	RM'000	RM'000	RM'000
Revenue		**163,061**	**152,585**	**652,660**	**620,264**
Cost of sales		(127,895)	(118,697)	(497,503)	(484,426)
Gross profit		**35,166**	**33,888**	**155,157**	**135,838**
Other income		1,348	1,525	5,891	7,058
Selling & marketing expenses		(14,583)	(15,069)	(69,596)	(66,451)
Administrative expenses		(6,538)	(5,868)	(27,027)	(23,341)
Other expenses		(926)	(1,038)	(2,827)	(2,424)
Finance cost		(92)	-	(92)	(1)
Share of results of an associate		2,364	2,942	7,764	5,368
Profit before tax	A7	**16,739**	**16,380**	**69,270**	**56,047**
Income tax expense	B6	64	(3,581)	(10,603)	(11,559)
Net profit for the period		**16,803**	**12,799**	**58,667**	**44,488**
Other comprehensive income:					
Exchange differences on translation of foreign operations, net of tax		(27)	(35)	(2,767)	(141)
Total comprehensive income for the period		**16,776**	**12,764**	**55,900**	**44,347**
Net profit attributable to:					
Owners of the parent		16,804	12,801	58,581	44,459
Non-controlling interest		(1)	(2)	86	29
Net profit for the period		**16,803**	**12,799**	**58,667**	**44,488**
Total comprehensive income attributable to:					
Owners of the parent		16,777	12,766	55,814	44,318
Non-controlling interest		(1)	(2)	86	29
Total comprehensive income for the period		**16,776**	**12,764**	**55,900**	**44,347**
Earnings per share attributable to owners of the parent:					
		Sen	**Sen**	**Sen**	**Sen**
- Basic	B11	**14.33**	**10.93**	**49.94**	**37.95**
- Diluted	B11	**14.26**	**10.91**	**49.70**	**37.90**

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements.

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

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	A12	177,210	124,974
Investment properties		9,809	10,049
Intangible assets		1,777	1,970
Investment in an associate		17,818	10,474
Deferred tax assets		537	212
Receivables		3,774	10,000
		210,925	157,679
Current Assets			
Inventories		83,106	69,018
Receivables		160,197	139,323
Prepayments		513	4,148
Tax recoverable		3,784	295
Derivative financial instruments	A15 & B12	61	17
Long term investment		-	5,520
Deposits, bank and cash balances		81,153	80,903
		328,814	299,224
TOTAL ASSETS		**539,739**	**456,903**
EQUITY AND LIABILITIES			
Current Liabilities			
Borrowings	B8	5,857	7
Derivative financial instruments	A15 & B12	-	128
Payables		117,426	106,545
Current tax payable		1,527	3,505
		124,810	110,185
Non-Current Liabilities			
Borrowings	B8	24,036	-
Deferred tax liabilities		4,432	3,063
		28,468	3,063
TOTAL LIABILITIES		**153,278**	**113,248**
NET ASSETS		**386,461**	**343,655**
EQUITY			
Equity attributable to owners of the parent			
Share capital		118,806	117,146
Reserves		11,395	13,656
Retained earnings		255,793	212,432
		385,994	343,234
Non-controlling interest		467	421
TOTAL EQUITY		**386,461**	**343,655**
		RM	**RM**
Net Assets per share attributable to owners of the parent		**3.25**	**2.93**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements.

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

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

		← Non-Distributable		→	Distributable			
	Note	Share Capital	Foreign currency translation reserve	Share option reserve	Retained Earnings	Equity attributable to owners of the parent, total	Non-controlling Interest	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
YEAR ENDED 31 DECEMBER 2018								
Balance at 1 January 2018		117,146	13,147	509	212,432	343,234	421	343,655
Total comprehensive income		-	(2,767)	-	58,581	55,814	86	55,900
Share options granted		-	-	849	-	849	-	849
Share options lapsed		-	-	(27)	27	-	-	-
Transfer to share capital for share options exercised		316	-	(316)	-	-	-	-
Transaction with owners								
Dividends on ordinary shares	A8	-	-	-	(15,247)	(15,247)		(15,247)
Issuance of ordinary share pursuat to ESOS		1,344	-	-	-	1,344	-	1,344
Total transaction with owners		1,344	-	-	(15,247)	(13,903)	-	(13,903)
Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	(40)	(40)
Balance as at 31 December 2018		**118,806**	**10,380**	**1,015**	**255,793**	**385,994**	**467**	**386,461**
YEAR ENDED 31 DECEMBER 2017								
Balance at 1 January 2017		117,146	13,288	96	181,441	311,971	416	312,387
Total comprehensive income		-	(141)	-	44,459	44,318	29	44,347
Share options granted		-	-	417	-	417	-	417
Share options lapsed		-	-	(4)	4	-	-	-
Transaction with owners								
Dividends on ordinary shares	A8	-	-	-	(13,472)	(13,472)	-	(13,472)
Total transaction with owners		-	-	-	(13,472)	(13,472)	-	(13,472)
Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	(24)	(24)
Balance as at 31 December 2017		**117,146**	**13,147**	**509**	**212,432**	**343,234**	**421**	**343,655**

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements.

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

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2018

	YEAR ENDED	
	31/12/2018 RM'000	**31/12/2017 RM'000**
Operating activities		
Profit before tax	**69,270**	**56,047**
Adjustments for:		
Depreciation and amortisation	9,406	9,510
Net profit on disposal of property, plant and equipment	(107)	(442)
Property, plant and equipment written off	28	330
Share of results of an associate	(7,764)	(5,368)
Fair value changes of derivative financial instruments	(172)	212
Share options granted	849	417
Inventories written off	346	130
Impairment loss on trade receivables net of reversals	1,392	262
Interest expense	92	1
Interest income	(1,653)	(2,464)
Operating cash flows before changes in working capital	71,687	58,635
Inventories	(14,434)	(3,371)
Receivables	(12,406)	(4,338)
Payables	10,882	6,667
Cash generated from operations	55,729	57,593
Tax paid	(15,025)	(11,389)
Net cash flows generated from operating activities	**40,704**	**46,204**
Investing activities		
Purchase of property, plant and equipment & intangible assets	(62,583)	(37,073)
Proceeds from disposal of property, plant and equipment	107	788
(Placement in)/ Withdrawal from short term deposit	(5,391)	4,228
Dividend from associated company	420	-
Dividends paid to non-controlling interest	(40)	(24)
Interest received	1,653	2,464
Net cash flows used in investing activities	**(65,834)**	**(29,617)**
Financing activities		
Finance lease repaid	(7)	(18)
Proceed from issuance of shares under ESOS	1,344	-
Drawndown of term loans	29,894	-
Dividends paid	(15,247)	(13,472)
Interest paid	(92)	(1)
Net cash flows generated from/ (used in) financing activities	**15,892**	**(13,491)**
Net (decrease)/ increase in cash and cash equivalents	**(9,238)**	**3,096**
Cash and cash equivalents at 1 January	**74,908**	**71,812**
Effect of exchange rate changes on cash and cash equivalents	(1,423)	-
Cash and cash equivalents at the end of the financial period	**64,247**	**74,908**

Included in the deposits, bank and cash balances was RM 16,906,000 (31 December 2017 : RM 5,995,000) placed with money market fund held for investment purposes and does not form part of cash and cash equivalents.

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements.

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018
(THE FIGURES HAVE NOT BEEN AUDITED)

A NOTES PURSUANT TO MFRS 134 FOR THE YEAR ENDED 31 DECEMBER 2018

A1 Basis of preparation

These unaudited condensed consolidated interim financial statements for the year ended 31 December 2018 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These unaudited condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. It should be read in conjunction with the Group's most recent audited financial statements for the year ended 31 December 2017.

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for the certain financial assets and liabilities classified as financial assets and liabilities at fair value through profit or loss and financial assets designated as available for sale.

A2 Significant accounting policies

The significant accounting policies adopted in preparing these unaudited condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2017 except for the adoption of the following standards, wherever applicable to the Group and Company:

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

The initial application of the abovementioned standards and amendments did not have any material impacts to the current and prior periods financial statements upon their first adoption except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement; impairment; and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group has performed a detailed impact assessment of two aspects of MFRS 9, ie classification and measurement; and impairment. Subject to changes arising from further reasonable and supportable information, the assessment is based on currently available information.

Based on the analysis of the Group’s financial assets and liabilities as at 31 December 2018 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group’s financial statements as follows:

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of MFRS 9.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Accordingly, the Group does not expect MFRS 9 to affect significantly the classification and measurement of these financial assets.

There is no material impact on the Group's accounting for financial liabilities, as the new requirements remain largely the same as it was under MFRS 139.

(b) Impairment

The adoption of MFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The Group has applied the simplified approach and recorded expected credit losses on all trade receivables and has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the overall economic environment. The adoption of the ECL requirements of MFRS 9 does not result in a significant increase in impairment allowances of the Group and no increase in allowance is adjusted to Retained Earnings.

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

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018
(THE FIGURES HAVE NOT BEEN AUDITED)

A NOTES PURSUANT TO MFRS 134 FOR THE PERIOD ENDED 30 SEPTEMBER 2018 (continued)

A2 Significant accounting policies (continued)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that is applicable to revenue arising from contracts with customers. MFRS 15 supersedes the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations.

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

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

The Group has adopted the new standard on the required effective date using the modified retrospective method. This method allows the cumulative impact of the adoption be recognised in retained earnings as of 1 January 2018. The directors have assessed the effects of applying the new standard on the Group's financial statements and concluded that the application of MFRS 15 does not have a significant impact.

(a) Sale of goods

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

(b) Rights of return

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

(c) Presentation and disclosure requirements

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

A3 Seasonality or cyclicality of interim operations

The Group's interim operations are not affected materially by any seasonal or cyclical factors.

A4 Unusual items

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows for the year ended 31 December 2018.

A5 Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial year.

There were no changes in estimates of amounts reported in the prior interim periods of the current financial year or prior financial year.

A6 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the fourth quarter ended 31 December 2018 except for the issuance of 115,000 new ordinary shares persuant to exercise of options under the Executive Share Options Scheme ("ESOS") at the exercise price of RM 3.36 each.

A7 Profit before tax

Included in profit before tax are the following items:	3 MONTHS ENDED		YEAR ENDED	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Interest income	375	580	1,653	2,464
Other income including investment income	517	647	2,629	2,967
Interest expense	(92)	-	(92)	(1)
Depreciation and amortisation	(2,705)	(2,258)	(9,406)	(9,510)
Impairment loss on trade receivables net of reversals	(873)	(155)	(1,392)	(262)
Written off of inventories	(173)	31	(346)	(130)
Net profit on disposal of property, plant and equipment	36	-	107	442
Property, plant and equipment written off	(26)	(310)	(28)	(330)
Fair value gain/(loss) of derivative financial instruments	17	(104)	172	(212)
Foreign exchange gain/(loss)	113	(113)	(142)	(6)

A NOTES PURSUANT TO MFRS 134 FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

A8 Dividends paid and declared

The amount of dividends paid/payable during the current and previous years are as follows:

In respect of the financial year ended 31 December	31/12/2018 RM'000	31/12/2017 RM'000
2018: Interim single-tier dividend comprising 6.5 sen single tier per share paid on 28-September-18	7,632	-
2017: Final dividend comprising 6.5 sen single tier per share paid on 14-June-18	7,615	-
2017: Interim single-tier dividend of 5.5 sen per share paid on 29-Sep-17	-	6,443
2016: Final dividend comprising 6.0 sen single tier per share paid on 16-June-17	-	7,029
	15,247	13,472

A9 Segment Information

The Group is organised into three main business units based on their activities, and has three reportable operating segments as follows:

(i) Manufacturing and marketing of pharmaceutical products ("M&M");
(ii) Wholesale and distribution of pharmaceutical and healthcare products("W&D"); and
(iii) Corporate comprising investments in retail pharmacy business and properties and the provision of management services ("CORP").

OPERATING SEGMENTS	M&M	W&D	CORP	Adjustments	GROUP
YEAR ENDED 31/12/2018	RM'000	RM'000	RM'000	RM'000	RM'000
External Revenue	53,028	590,529	9,103	-	652,660
Inter-segment revenue	106,706	800	38,008	(145,514)	-
Total Revenue	159,734	591,329	47,111	(145,514)	652,660
Segment Results	43,944	23,280	4,898	(2,760)	69,362
Finance costs					(92)
Profit before tax					**69,270**

OPERATING SEGMENTS	M&M	W&D	CORP	Adjustments	GROUP
YEAR ENDED 31/12/2017	RM'000	RM'000	RM'000	RM'000	RM'000
External Revenue	30,502	580,226	9,536	-	620,264
Inter-segment revenue	100,145	758	33,843	(134,746)	-
Total Revenue	130,647	580,984	43,379	(134,746)	**620,264**
Segment Results	36,741	19,108	2,222	(2,023)	56,048
Finance costs					(1)
Profit before tax					**56,047**
Segment assets					
31-Dec-2018	199,303	284,658	62,020	(6,242)	**539,739**
31-Dec-2017	134,100	277,794	54,013	(9,004)	**456,903**
Segment liabilities					
31-Dec-2018	(62,236)	(79,795)	(5,288)	(5,959)	**(153,278)**
31-Dec-2017	(22,261)	(80,052)	(4,366)	(6,569)	**(113,248)**

A10 Significant Events After the Reporting Date

On 28 February 2019, the Company announced plans to undertake a bonus issue of up to 358,929,279 Bonus Shares on the basis of 3 Bonus Shares for every 1 existing share held on an entitlement date to be determined later. The Bonus Shares in respect of the Proposed Bonus Issue will be issued as fully paid, at nil consideration and without capitalisation of the Company's reserves. The bonus issue is subject to the approvals of the regulators and the shareholders at a general meeting of the Company to be convened. Other than the above, there were no significant events that had arisen subsequent to the end of this current year.

A11 Changes in Group Composition

The Group did not undertake any business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring or discontinuation of operations during the current year ended 31 December 2018.

A12 Property, plant and equipment

During the current quarter ended 31 December 2018, prepaid capital expenditure paid by the Group was RM 15.0 million (31 December 2017: RM 12.2 million). This is primarily in relation to the construction of the new Oral Solid Dosage Plant, SPP NOVO.

There were no material disposal of assets and/or assets written off during the quarter ended 31 December 2018.

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018
(THE FIGURES HAVE NOT BEEN AUDITED)

A NOTES PURSUANT TO MFRS 134 FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

A12 Property, plant and equipment (continued)

During the corresponding quarter ended 31 December 2017, assets with carrying amount of RM 310,000 were written off due to the demolishment and upgrading of waste water treatment plant and the closure of a retail pharmacy outlet at Komtar Mall, Johor Bahru.

A13 Capital Commitments

Capital commitments of property, plant and equipment not provided for in the financial statements as at 31 December 2018 are as follows:

	RM'000
Authorised capital expenditure approved and contracted for	10,996
Authorised capital expenditure approved but not contracted for	17,085
	28,081

A14 Related Party Transactions

The Group does not have any significant transactions with related parties during the year ended 31 December 2018 in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2017.

A15 Fair value hierarchy

The Group uses the following level of fair value hierarchy for determining the fair value of its financial instruments carried at fair value.

Financial liabilities:	31/12/2018 RM'000	31/12/2017 RM'000
	(Level 2)	
Derivatives - Forward currency contracts	61	(111)

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 year ended 2018 and 2017.

A16 Changes in Contingent liabilities or Contingent assets.

There were no contingent liabilities or contingent assets of the Group since the end of the last annual reporting date.

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

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018
(THE FIGURES HAVE NOT BEEN AUDITED)

B NOTES PURSUANT TO BURSA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A

B1 Detailed Performance Analysis of Operating Segments of the Group

	Individual Period		Changes	Cumulative Period		Changes
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Period	
	31/12/2018	31/12/2017		31/12/2018	31/12/2017	
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
Revenue	163,061	152,585	6.9%	652,660	620,264	5.2%
Operating Profit	14,467	13,438	7.7%	61,598	50,680	21.5%
Profit Before Interest and Tax	16,831	16,380	2.8%	69,362	56,048	23.8%
Profit Before Tax	16,739	16,380	2.2%	69,270	56,047	23.6%
Profit After Tax	16,803	12,799	31.3%	58,667	44,488	31.9%
Profit Attributable to Ordinary Equity Holders of the Parent	16,804	12,801	31.3%	58,581	44,459	31.8%

Review of Current Quarter Performance versus Corresponding Quarter Last Year

The Group concluded 2018 with fourth quarter revenue of RM 163 million, a growth of 7% over RM 152.6 million achieved in the same period in 2017. Key business units performed well, with good growth in pharmaceutical sales to both private and government sectors. Overall, reported quarterly revenues had been consistent throughout 2018 with no material quarterly variance. During the quarter, the certificate of completion and compliance (CCC) for SPP NOVO was received and start up has commenced. Profit before tax at RM 16.7 million for the final quarter was 2% higher than the RM 16.4 million achieved for the same quarter in the previous year. Applicable tax reinvestment allowance enabled quarterly profit after tax to reach RM 16.8 million (2017 Q4: RM 12.8 million).

Review of Year To Date Performance versus Corresponding Period Last Year

For 2018, the Group achieved record revenue of RM 653 million, a growth of 5% when compared to the RM 620 million in 2017, marking the 18th consecutive year of revenue growth. Consistent revenue growth was achieved across key business units, with improved contributions from pharmaceutical sales to the Government sector and contract manufacturing services. Revenue from sales of Group branded pharmaceuticals to the private sector also grew well, helped by planned new product launches. Other income was lower at RM 5.9 million (2017: RM 7.0 million) due to lower fixed deposit income. Group operating expenses were in line with expectations.

Profit before tax for the full year was RM 69.3 million, 24% higher than the RM 56 million achieved in 2017, attributed mainly to increased contributions from wholly owned subsidiary Xepa-Soul Pattinson (M) Sdn Bhd and associate company Straits Apex Sdn Bhd. Share of results from associated company was RM 7.8 million in 2018, (RM 5.4 million in 2017). Applicable tax reinvestment allowance arising from the Group's investment in SPP NOVO helped Group profit after tax to rise to RM 58.7 million, 32% better than the RM 44.5 million recorded for 2017.

B2 Material changes in the profit before tax for the quarter

	Current Quarter 31/12/2018	Immediate Preceding Quarter 30/09/2018	Changes	
	RM'000	RM'000	RM'000	(%)
Revenue	163,061	165,253	(2,192)	-1.3%
Operating Profit	14,467	16,376	(1,909)	-11.7%
Profit Before Interest and Tax	16,831	18,637	(1,806)	-9.7%
Profit Before Tax	16,739	18,637	(1,898)	-10.2%
Profit After Tax	16,803	14,942	1,861	12.5%
Profit Attributable to Ordinary Equity Holders of the Parent	16,804	14,897	1,907	12.8%

Profit before tax for the current quarter was RM 16.7 million, 10.2% lower than the RM 18.6 million reported for the third quarter of 2018. This was primarily due to lower revenue, changes in the sales mix, and start up expenses at the Group's new Oral Solid dosage plant, SPP NOVO.

B NOTES PURSUANT TO BURSA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A (continued)

B3 Commentary

a Prospects

The prospects for the manufacturing, marketing and distribution of pharmaceuticals and consumer healthcare products stay positive in our markets. To sustain growth, the Group continues to commit resources to deepening research and development programs, widening the portfolio of Group Brand products, entering new international markets, growing market share in existing markets and improving operating efficiency. The Group's associate company engaged in the contract manufacturing of orthopedic devices improved its financial performance in 2018 by broadening its customer base, increasing capacity utilization and production capabilities. These initiatives will continue into 2019.

European Union Good Manufacturing Practice certification, as well as the completion of a new Oral Solid Dosage plant ('SPP NOVO'), for the Group's pharmaceutical manufacturing operations adds new market opportunities and increased production capacity. In the short term however, manufacturing revenue growth will not be in tandem with the immediate rise in operating expenses from SPP NOVO. Effort will be focused on accelerating manufacturing revenue growth in order to optimize capacity utilization at SPP NOVO and reduce the impact of its start up on margins.

With uncertain global economic prospects and higher operating expenses from the start-up of our new oral solid dosage plant, 2019 promises to be challenging. Further unforeseen circumstances aside, the Board expects the key factors outlined above and the Group's consistent performance to support a satisfactory performance in 2019.

b Progress to achieve forecast revenue or profit estimate

Not applicable.

B4 Statement by the Board of Directors' opinion on the achievability of forecast revenue or profit estimate

Not applicable.

B5 Profit Forecast /Profit Guarantee

Not applicable.

B6 Income Tax Expense

	3 MONTHS ENDED		YEAR ENDED	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
In respect of current period:				
Income tax	(2,192)	3,761	8,226	12,596
Deferred tax	1,994	(442)	1,044	(1,336)
Foreign tax	56	279	1,332	865
	(142)	3,598	10,602	12,125
In respect of prior period:				
Income tax	2	-	(75)	(549)
Foreign tax	76	(17)	76	(17)
	(64)	3,581	10,603	11,559

The effective tax rate for the current quarter and current year is lower than the statutory tax rate as the Group is entitled to make a claim for the qualifying capital expenditure incurred for SPP NOVO under the Reinvestment Allowance provided in the Malaysia Government Budget 2016.

B7 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 21 February 2019.

B8 Group Borrowings and Debt Securities

	As at 31/12/2018					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination ^	RM Denomination	Foreign Denomination ^	RM Denomination	Foreign Denomination ^	RM Denomination
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
Secured						
Secured bank loans	-	24,036	-	5,853	-	29,889
Finance lease	-	-	1	-	1	-

B NOTES PURSUANT TO BURSA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A (continued)

B8 Group Borrowings and Debt Securities (continued)

	As at 31/12/2017					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination ^	RM Denomination	Foreign Denomination ^	RM Denomination	Foreign Denomination ^	RM Denomination
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
Secured						
Finance lease	-	-	2	-	2	-

^ The finance lease was denominated in SGD at exchange rate of SGD 1: RM 3.00 (31 December 2017: SGD 1: RM 3.10), equivalent to RM 4,000 (31 December 2017: RM 7,000). There was no hedging for this SGD denominated finance lease, it was a hire purchase used for the operations of a sudsidiary in Singapore.

As at 31 December 2018, the Group's total borrowing recorded an increase of RM29.9 million compared to the financial year ended 31 December 2017. This increase was to part finance the construction of the new oral solid dosage plant, SPP NOVO by Xepa-Soul Pattinson (Malaysia) Sdn Bhd, a wholly-owned subsidiary of the Company. The loans were denominated in Ringgit Malaysia and secured by a Corporate Guarantee provided by the Company. The weighted average interest rates were based on 0.85% p.a. over one-month Effective Cost of Funds. Prior to the completion of SPP Novo, these borrowing costs were capitalised in accordance with MFRS 123 Borrowing Costs.

B9 Material Litigation
There is no pending material litigation at the date of this report.

B10 Dividend Payable

a The Board of Directors is recommending a final single-tier dividend of 7.0 sen per share in respect of the financial year ended 31 December 2018 for shareholders' approval at the forthcoming Annual General Meeting. (Year 2017: Final single-tier dividend of 6.5 sen per share.)

b The total dividend paid to-date in the current financial year is 13.0 sen per share. (Year 2017: Single-tier dividend of 11.5 sen per share).

c Subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company, the final dividend will be paid on 14 June 2019 and the entitlementdate for the payment is 3 June 2019.

B11 Earnings per share
The following reflect the profit and share data used in the computation of basic and diluted earnings per share:

		3 MONTHS ENDED		YEAR ENDED	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
Basic Earnings per share					
Profit after tax	RM'000	16,804	12,801	58,581	44,459
Weighted average number of ordinary shares in issue	'000	117,293	117,146	117,293	117,146
Basic earnings per share	sen	**14.33**	**10.93**	**49.94**	**37.95**
Diluted Earnings per share					
Profit after tax	RM'000	16,804	12,801	58,581	44,459
Weighted average number of ordinary shares in issue	'000	117,293	117,146	117,293	117,146
Effect of dilution-Share options	'000	566	157	566	157
Adjusted weighted average number of ordinary shares in issue	'000	117,859	117,303	117,859	117,303
Diluted earnings per share	sen	**14.26**	**10.91**	**49.70**	**37.90**

B NOTES PURSUANT TO BURSA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A (continued)

B12 Derivative Financial Instruments

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

Type of Derivatives	Contract/ Notional Value	Fair Value
	31/12/2018 RM'000	31/12/2018 RM'000
i) Forward Foreign Currency Contract entered into for the export sales to Singapore		
- Less than 1 year	5,257	6,122
ii) Forward Foreign Currency Contract entered into for the purchase of goods from foreign contract manufacturers or suppliers		
- Less than 1 year	(3,916)	(1,232)
	1,341	4,890

No derivative was entered into by the Company which has not been disclosed in the preceding financial year or any quarters in the current financial year. Since the end of the previous financial year or any quarters in the current financial year, there is a no change in any of the information disclosed in respect of the following:

a The credit risk, market risk and liquidity risks associated with the derivatives;
b The policies in place for mitigating or controlling the risks associated with these derivatives;
c The related accounting policies.

The net cash requirements relating to these contracts was RM 1,341,000.

B13 Fair Value Changes of Financial Liabilities

As at 31 December 2018, the Group does not have any significant financial liabilities measured at fair value through profit or loss other than the disclosure in note A15.

B14 Auditors' report on preceding annual financial statements

The Auditors' report on the Group's financial statements for the year ended 31 December 2017 was not qualified.

Authorisation for issue

The interim financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 28 February 2019.