



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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2007
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2007

	Note	3 MONTHS ENDED		PERIOD ENDED	
		31/03/2007	31/03/2006	31/03/2007	31/03/2006
		RM'000	RM'000	RM'000	RM'000
Revenue	10	59,840	58,084	59,840	58,084
Cost of sales		(45,867)	(43,735)	(45,867)	(43,735)
Gross profit		13,973	14,349	13,973	14,349
Other income		244	161	244	161
Selling & marketing expenses		(6,867)	(6,411)	(6,867)	(6,411)
Administrative expenses		(2,850)	(2,745)	(2,850)	(2,745)
Other expenses		(99)	(42)	(99)	(42)
Gain on disposal of subsidiary		-	-	-	-
Finance cost		(190)	(257)	(190)	(257)
Negative goodwill arising from the acquisition of subsidiary		-	1,007	-	1,007
Share of results of associate		189	190	189	190
Profit before tax		4,400	6,252	4,400	6,252
Income tax expense	22	(906)	(1,500)	(906)	(1,500)
Net profit for the period		3,494	4,752	3,494	4,752
Attributable to:					
Equity holders of the parent		3,494	4,752	3,494	4,752
Minority interest		-	-	-	-
		3,494	4,752	3,494	4,752
Earnings per share attributable to equity holders of the parent:					
		<u>Sen</u>	<u>Sen</u>	<u>Sen</u>	<u>Sen</u>
- Basic	30	4.66	7.02	4.66	7.02
- Diluted	30	4.66	7.01	4.66	7.01

The Condensed Consolidated Income Statements should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial report.



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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007

		As at	Audited
		31/03/2007	As at
		RM'000	31/12/2006
	Note	RM'000	RM'000
Non-Current Assets			
Property, plant and equipment	3 & 11	50,086	48,478
Investment properties		2,899	2,913
Prepaid land lease payments	2 & 3	7,178	7,198
Intangible assets		1,766	1,835
Investment in associate		10,416	10,227
		<u>72,345</u>	<u>70,651</u>
Current Assets			
Inventories		38,615	38,407
Trade and other receivables		66,448	64,466
Deposits, bank and cash balances		12,164	14,182
		<u>117,227</u>	<u>117,055</u>
TOTAL ASSETS		<u>189,572</u>	<u>187,706</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		74,974	74,974
Reserves		9,075	9,086
Retained earnings		41,806	38,312
		<u>125,855</u>	<u>122,372</u>
Minority interest		-	-
TOTAL EQUITY		<u>125,855</u>	<u>122,372</u>
Non-Current Liabilities			
Borrowings	26	5,196	5,484
Deferred tax liabilities		4,108	3,909
		<u>9,304</u>	<u>9,393</u>
Current Liabilities			
Borrowings	26	10,577	13,002
Trade and other payables		42,640	41,951
Current tax payable		1,196	988
Dividend payable		-	-
		<u>54,413</u>	<u>55,941</u>
TOTAL LIABILITIES		<u>63,717</u>	<u>65,334</u>
TOTAL EQUITY AND LIABILITIES		<u>189,572</u>	<u>187,706</u>
		RM	RM
Net Assets per share attributable to ordinary equity holders of the parent		<u>1.68</u>	<u>1.63</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial report.



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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2007

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2007

	Note	Share Capital RM'000	<u>Non-Distributable</u> Share Premium RM'000	Revaluation & other reserves RM'000	<u>Distributable</u> Retained Profits RM'000	Total RM'000
<u>PERIOD ENDED 31 MARCH 2007</u>						
Balance as at 1 January 2007		74,974	5,306	3,780	38,312	122,372
Foreign currency translation, representing amount recognised directly in equity		-	-	(11)	-	(11)
Net profit for the 3-months period		-	-	-	3,494	3,494
Total recognised income and expense for the period		-	-	(11)	3,494	3,483
Dividends	9	-	-	-	-	-
Balance as at 31 March 2007		74,974	5,306	3,769	41,806	125,855
<u>PERIOD ENDED 31 MARCH 2006</u>						
Balance as at 1 January 2006		67,649	986	5,352	28,584	102,571
Foreign currency translation, representing amount recognised directly in equity		-	-	-	-	-
Net profit for the 3-months period		-	-	-	4,752	4,752
Total recognised income and expense for the period		-	-	-	4,752	4,752
Dividends	9	-	-	-	-	-
Issue of ordinary shares pursuant to ESOS		-	-	-	-	-
Balance as at 31 March 2006		67,649	986	5,352	33,336	107,323

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial report.



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2007

	PERIOD ENDED	
	31/03/2007	31/03/2006
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	4,400	6,252
Adjustments:		
Depreciation and amortization	1,194	1,169
Net profit on disposal of property, plant and equipment	-	(52)
Profit on disposal of subsidiary	-	-
Share of results of associate	(189)	(190)
Negative goodwill arising from acquisition of subsidiary	-	(1,007)
Other non-cash items	520	301
Operating profit before working capital changes:	5,925	6,473
Inventories and receivables	(2,563)	891
Payables	689	(6,431)
Cash generated from operations	4,051	933
Tax paid	(491)	(1,808)
Net cash generated from/(used in) operating activities	3,560	(875)
Cash flows from investing activities		
Acquisition of associate paid in cash	-	-
Dividends received from associate	-	-
Net cash inflow from acquisition of subsidiary	-	1,579
Proceeds from disposal of subsidiary	-	-
Purchase of property, plant and equipment & intangible assets	(2,699)	(839)
Proceeds from disposal of property, plant and equipment	-	57
Interest received	35	27
Net cash (used in)/generated from investing activities	(2,664)	824
Cash flows from financing activities:		
Proceeds from issue of shares	-	-
Term loans raised /(repaid)	1,352	(320)
Dividends paid	-	-
Other financing activities paid	(3,771)	(4,542)
Net cash generated used in financing activities	(2,419)	(4,862)
Net decrease in cash and cash equivalents	(1,523)	(4,913)
Cash and cash equivalents at the beginning of the financial year	9,709	2,215
Currency translation difference	(11)	-
Cash and cash equivalents at the end of the financial period	8,175	(2,698)

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial report.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2007

1 Accounting policies and methods of computation

The interim financial report has been prepared under the historical cost convention except for the revaluation of properties included within property, plant and equipment and investment properties.

The interim financial report is unaudited and has been prepared in compliance with FRS No.134, “Interim Financial Reporting” and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group’s most recent audited financial statements for the year ended 31 December 2006.

2 Changes in accounting policies

The significant accounting policies adopted are consistent with those adopted in the audited financial statements for the year ended 31 December 2006 except for the adoption of the following applicable new/revised Financial Reporting Standards (“FRS”) and Interpretations effective for financial period beginning 1 January 2007:

FRS 117	Leases
FRS 124	Related Party Disclosures
Amendment to FRS119 ²⁰⁰⁴	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of these FRS, other than FRS 117, does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of FRS 117 is discussed below:

FRS 117: Leases

The adoption of this new FRS had resulted in a change in accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front lease payment represents prepaid lease payments and are amortized on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortized amount of leasehold land is retained as the surrogate carrying amount or prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payment has been accounted for retrospectively and as disclosed in note 3, certain comparatives have been restated. There were no effects on the consolidated income statement for the year ended 31 December 2006.

3 Comparatives

The following comparative amounts have been restated due to the adoption of the revised FRSs:

	<u>Adjustments</u>		
	<u>Previously stated</u>	<u>FRS 117</u>	<u>Restated</u>
<u>At 31 December 2006</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Property, plant & equipment	55,676	(7,198)	48,478
Prepaid land lease payments	-	7,198	7,198



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2007 (continued)

4 Audit report qualifications of the preceding annual financial statements

The Auditors had reported without any qualifications on the Group's audited financial statements for the year ended 31 December 2006.

5 Seasonality or cyclicity of interim operations

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

6 Unusual items

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows for the period ended 31 March 2007.

7 Changes in estimates of amounts reported in prior interim years 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.

8 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 period ended 31 March 2007.

9 Dividends paid

There were no dividends paid during the current period ended 31 March 2007.

10 Segmental Reporting

BUSINESS SEGMENTS	Manufacturing	Retailing and distribution	Investment holding	GROUP
PERIOD ENDED 31/03/2007	RM'000	RM'000	RM'000	RM'000
Total Revenue	11,406	51,472	554	63,432
Inter-segment revenue	(3,191)	-	(401)	(3,592)
External Revenue	8,215	51,472	153	59,840
Segment Results (external)	2,801	2,263	(264)	4,800
Unallocated corporate expenses				(399)
Finance costs				(190)
Share of results of associate				189
Profit before tax				4,400

BUSINESS SEGMENTS	Manufacturing	Retailing and distribution	Investment holding	GROUP
PERIOD ENDED 31/03/2006	RM'000	RM'000	RM'000	RM'000
Total Revenue	13,205	48,818	551	62,574
Inter-segment revenue	(4,114)	-	(376)	(4,490)
External Revenue	9,091	48,818	175	58,084
Segment Results (external)	3,971	1,990	(235)	5,726
Unallocated corporate expenses				(414)
Finance costs, net				(257)
Negative goodwill from the acquisition of subsidiary				1,007
Share of results of associate				190
Profit before tax				6,252



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2007 (continued)

11 Valuations of Property, Plant & Equipment

The carrying value of land and buildings is based on a valuation carried out in the year ended 31 December 2004 by independent qualified valuers using the comparison method to reflect the market value that have been brought forward, without amendments from that year's audited financial statements.

12 Significant Post Balance Sheet Events

Other than the disclosure in note 13, there were no significant events that had arisen subsequent to the end of this current period.

13 Changes in Group Composition

On 30th April 2007, the Group completed its acquisition of 20% of the issued and paid up share capital of Maritzberg Investments Limited ("MIL") for consideration of USD 1,092,500 (equivalent to RM 3,745,090). MIL, an investment holding company incorporated in the British Virgin Islands has acquired 95% of the issued and paid up share capital of PT Penta Valent, a nation-wide pharmaceutical distribution company operating in Indonesia.

Other than the above, the Group did not undertake any business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring or discontinuation of operations during the period ended 31 March 2007.

14 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 balance sheet date except as disclosed in note 28.

15 Capital Commitments

Capital commitments not provided for in the financial statements as at 31 March 2007 are as follows:

<u>Property, Plant and Equipment</u>	<u>RM'000</u>
Authorised and contracted for	13,075
Authorised but not contracted for	4,877
	<u>17,952</u>

16 Related Party Transactions

There were no related party transactions during the period ended 31 March 2007.

17 Review of Performance

For the first quarter of financial year 2007, group turnover was RM 59.8 million and group profit after tax was RM 3.5 million. Compared to the first quarter of year 2006, revenue increased by 3%. After adjusting for non-recurring income, profit after tax was lower by 6.7% from that achieved in the first quarter of year 2006.

The distribution and wholesale operations performed creditably, and sales of manufactured pharmaceuticals have strengthened from the beginning of the year. The contribution of the Group's associate company in China, Xiamen Maidiken Science & Technology Company Ltd, was lower than expected, due to a delay in the award of major government tenders for the supply of pharmaceuticals and higher operating costs. Due diligence on the Group's proposed acquisition of 20% of Maritzberg Investments Limited was satisfactory, and the investment was completed on 30th April.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2007 (continued)

18 Material changes in the profit before tax for the quarter

Profit before tax for the first quarter was RM 4.4 million, compared to RM 4.34 million achieved in the last quarter of financial year 2006.

19 Commentary

(a) Prospects

Barring unforeseen occurrences the Board expects that the Group's performance to be satisfactory for the remaining three quarters of the financial year. The Group continues to invest in developing its domestic operations and is actively involved in the management of its overseas investments.

(b) Progress to achieve forecast revenue or profit estimate

Not applicable

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

Not applicable

21 Profit Forecast /Profit Guarantee

Not applicable.

22 Income Tax Expense

	3 MONTHS ENDED		PERIOD ENDED	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	RM'000	RM'000	RM'000	RM'000
In respect of current year:				
income tax	708	1,444	708	1,444
deferred tax	198	56	198	56
others				-
	906	1,500	906	1,500
In respect of prior year:				
income tax	-	-	-	-
deferred tax	-	-	-	-
	906	1,500	906	1,500

The effective tax rate for the current quarter was lower than the statutory tax rate principally due to availability of tax incentives in one of its subsidiary.

23 Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investments and/or properties during the period ended 31 March 2007.

24 Quoted Securities

- (a) There were no acquisitions or disposals of quoted securities during the period ended 31 March 2007.
- (b) There were no quoted securities held as at 31 March 2007.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2007 (continued)

25 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 16th May 2007.

26 Group Borrowings and Debt Securities

	AS AT	
	31/03/2007	31/03/2006
	RM'000	RM'000
Short term bank borrowings		
Secured	419	239
Unsecured	10,158	17,665
Total	10,577	17,904
Long term bank borrowings		
Secured	538	957
Unsecured	4,658	1,853
Total	5,196	2,810
Bank borrowings denominated in foreign currency as at 31 March 2007:	SGD'000	RM'000
Singapore Dollars	2,150	4,945

The Group did not have any non-current debt securities denominated in Ringgit Malaysia or foreign currency as at 31 March 2007.

27 Off Balance Sheet Financial Instruments

- (a) The Group's policy is that all foreign currency transactions are hedged by short-term forward contracts. These are translated to the functional currency of the respective entities of the Group at the rates specified in such forward contracts. The Group enters into these forward contracts to protect the Group from movements in exchange rates.
- (b) The Group does not anticipate any market or credit risks arising from these financial instruments.
- (c) At 16th May 2007, the Group's outstanding forward foreign exchange contracts to hedge its foreign currency transactions are as follows -

Contracted amount in foreign currency to the nearest thousand	RM'000 equivalent	Contracted rate	Maturity date
SGD 132	298	2.26	28-Sep-07
SGD 47	105	2.25	31-Oct-07
USD 20	71	3.49	25-Oct-07
£19	136	6.97	23-Oct-07
NZD 21	54	2.59	26-Oct-07
	664		



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2007 (continued)

28 Material Litigation

As reported in the previous quarter, the Company's wholly-owned subsidiary, Apex Pharmacy Marketing Sdn Bhd ("APM"), together with Stable Growth Sdn Bhd ("SGSB"), the main contractor for APM's new warehouse and corporate headquarters ("the Building") located at 2, Jalan SS13/5, Subang Jaya, 47500 Petaling Jaya, (APM and SGSB are collectively known as "co-defendants"), had on 19 August 2005, been served with a writ of summons filed by Memory Tech Sdn Bhd ("Plaintiff"). The Plaintiff has claimed a sum of RM90,058.15 as damages and RM1,596,000 as consequential losses, arising from the alleged damage to the Plaintiff's building and resulting short circuit caused by a piece of roofing material that the Plaintiff alleges was blown off the roof of the Building while it was being constructed.

APM has denied liability for any such losses and will vigorously defend the suit. APM has instructed its solicitors to seek redress against any party liable for such damage if the same is proven, including the insurers involved during the construction of the building. APM's solicitors have advised that it has a strong defence and is likely to succeed in avoiding liability for such damage and/or being indemnified for any liability by insurers of its contractors. The court has fixed for Case Management on 24th July 2007 filed by SGSB's lawyers

As at 16th May 2007, there has been no change in the status save as disclosed above.

29 Dividends

The Board of Directors do not recommend the payment of any interim dividend for the period ended 31 March 2007.

30 Earnings per share

		3 MONTHS ENDED		PERIOD ENDED	
		31/03/2007	31/03/2006	31/03/2007	31/03/2006
<u>Basic Earnings per share</u>					
Profit after tax	RM'000	3,494	4,752	3,494	4,752
Weighted average number of ordinary shares in issue	'000	74,974	67,649	74,974	67,649
Basic earnings per share	sen	4.66	7.02	4.66	7.02
<u>Diluted Earnings per share</u>					
Profit after tax	RM'000	3,494	4,752	3,494	4,752
Weighted average number of ordinary shares in issue	'000	74,974	67,649	74,974	67,649
Adjustment for share options	'000	-	165	-	165
Weighted average number of ordinary shares in issue for diluted earnings per share	'000	74,974	67,814	74,974	67,814
Diluted earnings per share	sen	4.66	7.01	4.66	7.01