



APEX HEALTHCARE BERHAD (473108-T)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006
(THE FIGURES HAVE NOT BEEN AUDITED)**

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30
SEPTEMBER 2006**

	Note	3 MONTHS ENDED		PERIOD ENDED	
		30/09/2006	30/09/2005	30/09/2006	30/09/2005
		RM'000	RM'000	RM'000	RM'000
Revenue	10	55,539	45,001	168,493	146,538
Cost of sales		(42,629)	(34,178)	(129,111)	(110,109)
Gross profit		12,910	10,823	39,382	36,429
Other income		259	457	612	803
Selling & marketing expenses		(6,266)	(5,298)	(18,643)	(18,902)
Administrative expenses		(2,744)	(2,158)	(8,248)	(6,688)
Other expenses		(99)	(109)	(214)	(384)
Gain on disposal of subsidiary		-	-	-	4,946
Finance cost		(267)	(219)	(844)	(448)
Negative goodwill arising from the acquisition of subsidiary		-	-	1,007	-
Share of results of associate		219	89	823	89
Profit before tax		4,012	3,585	13,875	15,845
Income tax expense	21	(1,100)	(830)	(3,472)	(3,180)
Net profit for the period		2,912	2,755	10,403	12,665
Attributable to:					
Equity holders of the parent		2,912	2,755	10,403	12,665
Minority interest		-	-	-	-
		2,912	2,755	10,403	12,665
Earnings per share attributable to equity holders of the parent:					
		<u>Sen</u>	<u>Sen</u>	<u>Sen</u>	<u>Sen</u>
- Basic	29	4.29	4.09	15.32	18.78
- Diluted	29	4.28	4.06	15.29	18.67

The Condensed Consolidated Income Statements should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial report.



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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2006

	Note	<u>Audited</u>	
		As at 30/09/2006 RM'000	As at 31/12/2005 RM'000 (restated)
Non-Current Assets			
Property, plant and equipment	3 & 11	54,199	46,175
Investment properties	3	2,869	2,913
Intangible assets	3	1,894	852
Investment in associate		10,033	9,784
		<u>68,995</u>	<u>59,724</u>
Current Assets			
Inventories		39,934	35,608
Trade and other receivables		60,967	50,524
Deposits, bank and cash balances		5,473	7,116
		<u>106,374</u>	<u>93,248</u>
TOTAL ASSETS		<u>175,369</u>	<u>152,972</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		68,373	67,649
Reserves		6,717	6,338
Retained earnings		34,067	28,584
		<u>109,157</u>	<u>102,571</u>
Minority interest		-	-
TOTAL EQUITY		<u>109,157</u>	<u>102,571</u>
Non-Current Liabilities			
Borrowings	25	2,810	3,134
Deferred tax liabilities		3,663	3,547
		<u>6,473</u>	<u>6,681</u>
Current Liabilities			
Borrowings	25	12,965	11,209
Trade and other payables		43,571	32,478
Current tax payable		742	33
Dividend payable		2,461	-
		<u>59,739</u>	<u>43,720</u>
TOTAL LIABILITIES		<u>66,212</u>	<u>50,401</u>
TOTAL EQUITY AND LIABILITIES		<u>175,369</u>	<u>152,972</u>
		RM	RM
Net Assets per share attributable to ordinary equity holders of the parent		<u>1.60</u>	<u>1.52</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial report.



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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2006

	Note	Share Capital RM'000	Non-Distributable Share Premium RM'000	Revaluation & other reserves RM'000	Distributable Retained Profits RM'000	Total RM'000
<u>PERIOD ENDED 30 SEPTEMBER 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				(74)	-	(74)
Net profit for the 9-months period					10,403	10,403
Total recognised income and expense for the period					10,403	10,403
Dividends	9				(4,920)	(4,920)
Issue of ordinary shares pursuant to ESOS	8	724	453			1,177
Balance as at 30 September 2006		68,373	1,439	5,278	34,067	109,157
<u>PERIOD ENDED 30 SEPTEMBER 2005</u>						
Balance as at 1 January 2005		67,372	810	6,074	16,977	91,233
Foreign currency translation, representing amount recognised directly in equity				-	-	-
Net profit for the 9-months period					12,665	12,665
Total recognised income and expense for the period					12,665	12,665
Dividends	9				(4,857)	(4,857)
Issue of ordinary shares pursuant to ESOS		104	68			172
Balance as at 30 September 2005		67,476	878	6,074	24,785	99,213

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 2005 and the accompanying explanatory notes attached to the interim financial report



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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2006

	Period ended	
	30/09/2006	30/09/2005
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	13,875	15,845
Adjustments:		
Depreciation and amortization	3,479	2,858
Profit on disposal of property, plant and equipment	(168)	(402)
Profit on disposal of subsidiary	-	(4,946)
Share of results of associate	(823)	(89)
Negative goodwill arising from acquisition of subsidiary	(1,007)	-
Other non-cash items	1,063	445
Operating profit before working capital changes:	16,419	13,711
Inventories and receivables	3,886	(19,788)
Payables	(8,210)	13,372
Cash generated from operations	12,095	7,295
Cash used in operating activities:		
Tax paid	(2,594)	(2,708)
Net cash generated from operating activities	9,501	4,587
Cash flows from investing activities:		
Acquisition of associate paid in cash	-	(9,280)
Dividends received from associate	574	-
Net cash inflow from acquisition of subsidiary	1,580	-
Proceeds from disposal of subsidiary	-	9,334
Purchase of property, plant and equipment & intangible assets	(7,052)	(5,301)
Proceeds from disposal of property, plant and equipment	192	1,915
Interest received	93	176
Net cash generated used in investing activities	(4,613)	(3,156)
Cash flows from financing activities:		
Proceeds from issue of shares	1,177	172
Term loans (repaid)/ raised	(1,080)	1,493
Dividends paid	(2,459)	(2,428)
Other financing activities (paid)/raised	(5,895)	404
Net cash used in financing activities	(8,257)	(359)
Net (decrease)/increase in cash and cash equivalents	(3,369)	1,072
Cash and cash equivalents at the beginning of the financial year	2,215	6,438
Currency translation difference	(74)	-
Cash and cash equivalents at the end of the financial period	(1,228)	7,510

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial report.



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(THE FIGURES HAVE NOT BEEN AUDITED)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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 2005.

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 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of these FRS does not have significant financial impact on the Group.

3 Comparatives

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

	Previously stated RM'000	Adjustments		Restated RM'000
		FRS 138 RM'000	FRS 140 RM'000	
<u>At 31 December 2005</u>				
Property, Plant & Equipment	49,940	(852)	(2,913)	46,175
Intangible Assets	-	852	-	852
Investment Properties	-	-	2,913	2,913

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 2005.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006**(THE FIGURES HAVE NOT BEEN AUDITED)****NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2006 (continued)****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 30 September 2006 except for the negative goodwill arising from the acquisition of subsidiary as disclosed in the Income Statement.

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

During the period ended 30 September 2006, the Company increased its issued and paid-up share capital to RM68,373,500 from RM 67,649,200 by way of issue of 724,300 ordinary shares of RM1.00 each following the exercise of share options by employees.

Other than the above, 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 30 September 2006.

9 Dividends paid

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

	30/09/2006	30/09/2005
<u>In respect of the financial year ended 31 December</u>	<u>RM'000</u>	<u>RM'000</u>
2006: Interim Dividend of 5 sen gross per share less tax payable on 16-Oct-06	2,461	
2005: Final Dividend of 5 sen gross per share less tax paid on 23-Jun-06	2,459	
2005: Interim Dividend of 5 sen gross per share less tax paid on 12-Oct-05		2,429
2004: Final Dividend of 5 sen gross per share less tax paid on 23-Jun-05		2,428
	<u>4,920</u>	<u>4,857</u>

10 Segmental Reporting

BUSINESS SEGMENTS	Manufac- turing	Retailing and distribution	Investment holding	GROUP
PERIOD ENDED 30/09/2006	RM'000	RM'000	RM'000	RM'000
Total Revenue	35,005	143,434	1,648	180,087
Inter-segment revenue	(10,467)	-	(1,127)	(11,594)
External Revenue	24,538	143,434	521	168,493
Segment Results (external)	9,085	5,386	(599)	13,872
Unallocated corporate expenses				(983)
Finance costs				(844)
Negative goodwill from the acquisition of subsidiary				1,007
Share of results of associate				823
Profit before tax				13,875



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2006 (continued)

10 Segmental Reporting - cont'd

BUSINESS SEGMENTS	Manufac- turing	Retailing and distribution	Investment holding	GROUP
PERIOD ENDED 30/09/2005	RM'000	RM'000	RM'000	RM'000
Total Revenue	30,956	125,832	6,838	163,626
Inter-segment revenue	(10,713)	-	(6,375)	(17,088)
External Revenue	20,243	125,832	463	146,538
Segment Results (external)	7,779	5,419	(1,310)	11,888
Unallocated corporate expenses				(630)
Gain on disposal of subsidiary				4,946
Finance costs, net				(448)
Share of results of associate				89
Profit before tax				15,845

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

As disclosed in note 24, the Company's issued and paid-up share capital will increase by an amount not exceeding 6,715,100 ordinary shares upon receipt of the approval from Bursa Securities Malaysia Berhad.

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

13 Changes in Group Composition

As disclosed in the previous quarter, the Group incorporated a new wholly owned subsidiary in Singapore, Avex Pharmaceuticals Pte Ltd on 7th July 2006.

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 30 September 2006.

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 27.

15 Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2006 are as follows:

<u>Property, Plant and Equipment</u>	RM'000
Authorised and contracted for	4,520
Authorised but not contracted for	17,354
	<u>21,874</u>

16 Related Party Transactions

There were no related party transactions during the period ended 30 September 2006.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2006 (continued)

ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

17 Review of Performance

For the third quarter ended 30 September 2006, AHB Group’s revenue was RM 55.5 million and profit before tax was RM 4.0 million. Year to date profit before tax is RM 13.9 million on the back of revenue of RM 168 million.

Major operating units performed well for period under review. For the first nine months of the year, manufacturing registered a 20% increase in profitability, due largely to the strong performance of core products. Construction works for the new manufacturing facilities are in progress and on schedule. Pharmaceutical wholesale continue to build upon their position of nation-wide market leadership with steady growth in sales, while consistent efforts in marketing and development of consumer health care lines is producing results.

18 Material changes in the profit before tax for the quarter

The increase in the profit before tax for the third quarter to RM 4.0 million as compared to RM 3.3 million for the second quarter is due to general strengthening of sales and gross profits, while costs were kept under control.

19 Prospects

Barring unforeseen circumstances, the Board expects financial performance for the remainder of the financial year to be satisfactory.

20 Profit Forecast /Profit Guarantee

Not applicable.

21 Income Tax Expense

	3 MONTHS ENDED		PERIOD ENDED	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
In respect of current year:				
income tax	1,016	668	3,329	2,841
deferred tax	56	122	115	299
	<u>1,072</u>	<u>790</u>	<u>3,444</u>	<u>3,140</u>
In respect of prior year:				
income tax	28	40	28	40
	<u>1,100</u>	<u>830</u>	<u>3,472</u>	<u>3,180</u>

22 Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investments and/or properties during the period ended 30 September 2006.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2006 (continued)

23 Quoted Securities

- (a) There were no acquisitions or disposals of quoted securities during the period ended 30 September 2006.
- (b) There were no quoted securities held as at 30 September 2006.

24 Status of Corporate Proposals

On 23rd August 2006, the Company announced its intention to undertake a placement of up to 6,715,100 new ordinary shares of RM1.00 each in the Company at an issue price to be determined later. The proposed placement is subject to the approval of certain relevant authorities. The Securities Commission ("SC") together with the Equity Compliance Unit (via the SC) and Ministry of International Trade and Industry have granted their approvals on 29th September 2006 and 13th October 2006 respectively. Approval from Bursa Malaysia Securities Berhad for the listing and quotation for the placement shares on the Main Board of Securities Exchange was received on 9th November 2006.

25 Group Borrowings and Debt Securities

	AS AT	
	30/09/2006	31/12/2005
	RM'000	RM'000
Short term bank borrowings		
Secured	5,484	-
Unsecured	7,481	11,209
Total	12,965	11,209
Long term bank borrowings		
Secured	956	-
Unsecured	1,854	3,134
Total	2,810	3,134
Bank borrowings denominated in foreign currency as at 30 September 2006:	SGD'000	RM'000
Singapore Dollars	2,800	6,440

The Group did not have any non-current debt securities denominated in Ringgit Malaysia or foreign currency as at 30 September 2006.

26 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 8th November 2006, 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 173	399	2.31	30-Mar-07	& 28-Apr-07
	€426	2,004	4.70	30-May-07	& 29-Jun-07
	€299	1,404	4.70	16-Jul-07	& 31-Jul-07
	USD 4	16	3.66	25-Feb-07	
	£27	182	6.80	20-Apr-07	
	NZD 36	86	2.42	20-Apr-07	
		4,091			

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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 a further mention date on 8th December 2006 pending the extraction of a third party notice filed by SGSB's lawyers

As at 8th November 2006, there has been no change in the status save as disclosed above.

28 Dividends

- (a) The interim dividend of 5 sen gross per share less 28% tax in respect of the financial year ending 30 December 2006 has been paid on 16th October 2006.
- (b) The total dividend for the current financial year is 5 sen (Year 2005: Interim dividend of 5 sen gross per share less 28% tax).

29 Earnings per share

	3 MONTHS ENDED		PERIOD ENDED	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
<u>Basic Earnings per share</u>				
Profit after tax M'000	2,912	2,755	10,403	12,665
Weighted average number of ordinary shares in issue '000	67,925	67,424	67,925	67,424
Basic earnings per share sen	4.29	4.09	15.32	18.78
<u>Diluted Earnings per share</u>				
Profit after tax M'000	2,912	2,755	10,403	12,665
Weighted average number of ordinary shares in issue '000	67,925	67,424	67,925	67,424
Adjustment for share options '000	129	429	129	429
Weighted average number of ordinary shares in issue for diluted earnings per share '000	68,054	67,853	68,054	67,853
Diluted earnings per share sen	4.28	4.06	15.29	18.67