



**APEX HEALTHCARE BERHAD**

(473108-T)

Incorporated in Malaysia

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2003  
(THE FIGURES HAVE NOT BEEN AUDITED)

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	3 MONTHS ENDED		YEAR ENDED	
		31/12/2003	<u>Restated</u> 31/12/2002	31/12/2003	<u>Restated</u> 31/12/2002
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	8	<b>38,589</b>	<b>37,002</b>	<b>171,121</b>	<b>157,499</b>
Expenses excluding finance cost and tax		(34,556)	(33,680)	(156,911)	(144,701)
Other operating income		215	120	789	451
<b>Profit from operations</b>	8	<b>4,248</b>	<b>3,442</b>	<b>14,999</b>	<b>13,249</b>
Finance cost		(26)	(14)	(111)	(106)
Share of results of associates and jointly controlled entities		-	-	-	-
<b>Profit before taxation</b>		<b>4,222</b>	<b>3,428</b>	<b>14,888</b>	<b>13,143</b>
Taxation	19	(1,021)	(1,062)	(4,223)	(3,859)
<b>Profit after taxation</b>		<b>3,201</b>	<b>2,366</b>	<b>10,665</b>	<b>9,284</b>
Less: Minority interests		-	-	-	-
<b>Net profit for the period</b>		<b>3,201</b>	<b>2,366</b>	<b>10,665</b>	<b>9,284</b>
<b>Earnings per share</b>		<u>Sen</u>	<u>Sen</u>	<u>Sen</u>	<u>Sen</u>
- Basic	27	<b>4.85</b>	<b>3.61</b>	<b>16.16</b>	<b>14.17</b>
- Diluted	27	<b>4.76</b>	<b>3.55</b>	<b>15.85</b>	<b>13.95</b>

The Condensed Consolidated Income Statements should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2002 and the accompanying explanatory notes attached to the interim financial report.



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**CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2003**

		<b>As at</b>	<b>Restated</b>
	<b>Note</b>	<b>31/12/2003</b>	<b>As at</b>
		<b>RM'000</b>	<b>31/12/2002</b>
			<b>RM'000</b>
<b>Non Current Assets</b>			
Property, plant and equipment	9	36,414	31,554
		<u>36,414</u>	<u>31,554</u>
<b>Current Assets</b>			
Inventories		31,065	28,091
Trade and other receivables		36,552	35,641
Deposits, bank & cash balances		11,472	12,176
		<u>79,089</u>	<u>75,908</u>
<b>Less: Current Liabilities</b>			
Trade and other payables		25,709	25,708
Provision for retirement benefits		-	39
Current taxation		825	1,081
Bank borrowings	23	2,360	2,187
Dividend payable		-	-
		<u>28,894</u>	<u>29,015</u>
<b>Net Current Assets</b>		<u>50,195</u>	<u>46,893</u>
<b>Less: Non-Current Liabilities</b>			
Provision for retirement benefits		-	1,149
Deferred taxation		2,519	2,138
		<u>2,519</u>	<u>3,287</u>
		<u><b>84,090</b></u>	<u><b>75,160</b></u>
<b>Capital and Reserves</b>			
Share capital		66,697	43,557
Reserves		17,393	31,603
Shareholders' equity		<u><b>84,090</b></u>	<u><b>75,160</b></u>
<b>Net Tangible Assets per share (RM)</b>		<u><b>1.26</b></u>	<u><b>1.73</b></u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2002 and the accompanying explanatory notes attached to the interim financial report.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Share capital RM'000	Non-Distributable		Distributable	Total RM'000
			Share Premium RM'000	Revaluation & other reserves RM'000	Retained Profits RM'000	
<b>Balance as at 1 January 2003</b>						
- as previously reported		43,557	3,664	5,765	23,944	76,930
- prior year adjustment	1	-	-	(1,574)	(196)	(1,770)
- as restated		43,557	3,664	4,191	23,748	75,160
Net profit for the year					10,665	10,665
Reclassification of account			4,551		(4,551)	-
Capitalisation for bonus issue shares		22,015	(8,684)	-	(13,331)	-
Share issue expenses		-	(210)	-	-	(210)
Dividends	7				(3,721)	(3,721)
Issue of shares:						
-Employees Share Option Scheme	6	1,125	1,071	-	-	2,196
<b>Balance as at 31 December 2003</b>		<b>66,697</b>	<b>392</b>	<b>4,191</b>	<b>12,810</b>	<b>84,090</b>
<b>Balance as at 1 January 2002</b>						<b>Restated</b>
- as previously reported		43,400	3,440	5,602	18,158	70,600
- prior year adjustment	1	-	-	(1,574)	(212)	(1,786)
- as restated		43,400	3,440	4,028	17,946	68,814
Currency translation differences		-	-	163	-	163
Net gain not recognized in the income statement		-	-	163	-	163
Net profit for the year		-	-	-	9,284	9,284
Dividends						
- 31 December 2001 (final)					(1,740)	(1740)
- 31 December 2002 (interim)					(1,742)	(1742)
Issue of shares:						
-Employees Share Option Scheme		157	224	-	-	381
<b>Balance as at 31 December 2002</b>		<b>43,557</b>	<b>3,664</b>	<b>4,191</b>	<b>23,748</b>	<b>75,160</b>

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 2002 and the accompanying explanatory notes attached to the interim financial report



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED  
31 DECEMBER 2003**

	<b>Year ended 31.12.2003 RM'000</b>	<b>Restated Year ended 31.12.2002 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	14,888	13,143
Adjustments:		
Depreciation and amortization	3,407	3,160
Provision for retirement benefits	206	478
Other non-cash items	<u>813</u>	<u>122</u>
Operating profit before working capital changes	19,314	16,903
Increase in inventories and receivables	(4,678)	(8,302)
(Decrease) /increase in payables	<u>(7)</u>	<u>6,082</u>
Cash generated from operations	14,629	14,683
Cash used in operating activities:		
Retirement benefits paid	(1,395)	(555)
Tax paid	<u>(4,204)</u>	<u>(4,040)</u>
<b>Net cash generated from operating activities</b>	<b>9,030</b>	<b>10,088</b>
Net cash generated / (used in) investing activities:		
Purchase of property, plant and equipment	(8,388)	(2,778)
Proceeds from disposal of property, plant and equipment	278	124
Interest received	<u>84</u>	<u>163</u>
	<u>(8,026)</u>	<u>(2,491)</u>
Net cash generated / (used in) financing activities:		
Proceeds from issue of shares	2,197	381
Dividends paid	(3,721)	(3,482)
Term loan raised less repaid	550	-
Other financing activities paid	(237)	(278)
	<u>(1,211)</u>	<u>(3,379)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(207)</b>	<b>4,218</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>10,325</b>	<b>5,946</b>
Currency translation differences	-	161
<b>Cash and cash equivalents at the end of the financial quarter</b>	<b>10,118</b>	<b>10,325</b>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2002 and the accompanying explanatory notes attached to the interim financial report.



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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2003  
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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2003**

1. Accounting policies and methods of computation

The interim financial report is unaudited and has been prepared in compliance with MASB Standard No.26, "Interim Financial Reporting" and Paragraph 9.22 of the Malaysia Securities Exchange Berhad Listing Requirements. It should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2002.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2002 except for the adoption of the following MASB Standards which became effective from 1 January 2003:

MASB 25	Income Taxes
MASB 27	Borrowing Costs
MASB 29	Employee Benefits

Except for MASB 25, the adoption of the other standards have not given rise to any adjustments to the opening balances of retained profits of the prior and the current years or to changes in comparatives.

Under MASB 25, deferred tax has to be recognized for all taxable timing differences inclusive of the tax effect on revaluation surplus or deficit. The Group had revalued its land and buildings in financial year ended 31 December 2000 and a revaluation surplus of RM5.6 million was recognized in that financial year. No deferred taxation was accounted for on the revaluation pursuant to the International Accounting Standards 12, Income Taxes. Subsequent to the adoption of MASB 25 in this financial year, a deferred taxation at the prevailing rate of tax of 28% has been recognized in the condensed financial statements and the revaluation reserve was adjusted accordingly. The effects arising from the adoption of MASB 25 have been adjusted retrospectively.

The effects of the change of accounting policy on the Group's financial statements as disclosed in the condensed consolidated statement of changes in equity are as follows:

	<b>As previously reported RM'000</b>	<b>Effect of change in policy RM'000</b>	<b>As restated RM'000</b>
<u>Balance Sheet:</u>			
<b>At 1 January 2003</b>			
- Revaluation & other reserves	5,765	(1,574)	<b>4,191</b>
- Retained profits	23,944	(196)	<b>23,748</b>
- Deferred tax	368	1,770	<b>2,138</b>
<b>At 1 January 2002</b>			
- Revaluation & other reserves	5,602	(1,574)	<b>4,028</b>
- Retained profits	18,158	(212)	<b>17,946</b>
- Deferred tax	395	1,770	<b>2,181</b>

2. 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 2002.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2003  
(continued)**

3. Seasonality or cyclicity of interim operations

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

4. Unusual items

Other than the effects arising from the adoption of MASB 25 as reflected in note 1 above, there were no unusual items that affected the assets, liabilities, equity, net income or cash flows for the year ended 31 December 2003.

5. 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 and prior financial years.

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

During the year ended 31 December 2003, the Company increased its issued and paid up share capital to RM66,697,500 from RM43,557,000 by way of :

- (i) the issue of 1,125,500 ordinary shares of RM1.00 each following the exercise of share options by employees; and
- (ii) the issue of 22,015,000 new ordinary shares of RM1.00 each credited as fully paid on the basis of one (1) bonus share for every two (2) existing ordinary shares of RM1.00 each in the Company by way of capitalization from the share premium account and retained profits of the Company.

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 year ended 31 December 2003.

7. Dividends paid

The amount of dividends paid during the year ended 31 December 2003 were as follows:

	<u>RM'000</u>
In respect of the financial year ended 31 December 2002:	
Final dividend of 5 sen gross per share less 28% tax paid on 26 June 2003	1,568
In respect of the financial year ended 31 December 2003:	
Interim dividend of 4.5 sen gross per share less 28% tax paid on 8 October 2003	<u>2,153</u>
	<u>3,721</u>



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2003  
(continued)**

8. Segmental Reporting

<b>BUSINESS SEGMENTS</b>	Manuf actu- ring	Retailing and distribution	Investment holding	<b>GROUP</b>
<b>YEAR ENDED 31/12/2003</b>	RM'000	RM'000	RM'000	RM'000
Total Revenue	38,365	147,112	7,934	193,411
Inter-segment revenue	(14,356)	-	(7,934)	(22,290)
External Revenue	24,009	147,112	-	<b>171,121</b>
Segment Results (external)	11,380	5,213	(1,042)	15,551
Unallocated corporate expenses				(552)
Profit from operations				<b>14,999</b>
<b>YEAR ENDED 31/12/2002</b>	RM'000	RM'000	RM'000	RM'000
Total Revenue	38,252	133,402	23,286	194,940
Inter-segment revenue	(14,155)	-	(23,286)	(37,441)
External Revenue	24,097	133,402	-	<b>157,499</b>
Segment Results (external)	9,850	4,666	(834)	13,682
Unallocated corporate expenses				(433)
Profit from operations				<b>13,249</b>

9. Valuations of Property, Plant & Equipment

The carrying value of land and buildings is based on a valuation carried out in year 2000 by independent qualified valuers using the comparison and investment method that have been brought forward, without amendment from the previous year's audited financial statements.

10. Significant Post Balance Sheet Events

There were no significant events that had arisen subsequent to the end of the year ended 31 December 2003.

11. 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 year ended 31 December 2003.

12. 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.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER  
2003 (continued)**

13. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2003 are as follows:

<u>Property, Plant and Equipment</u>	<u>RM'000</u>
Authorised and contracted for	9,900
Authorised but not contracted for	4,617
	<u>14,517</u>

14. Related Party Transactions

Significant related party transactions of the Group for the year ended 31 December 2003 are as follows:

	<u>RM'000</u>
With Grafton Pharmasia Pte Ltd	
Sale of goods	5,806
Purchase of goods	2,344
With Grafton Laboratories Pte Ltd	
Royalty	230

Grafton Pharmasia Pte Ltd and Grafton Laboratories Pte Ltd are both subsidiaries of United Medicorp Pte Ltd, which holds 30% equity interest in Apex Pharmacy Holdings Sdn Bhd, a substantial shareholder of the Company.





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**ADDITIONAL INFORMATION REQUIRED BY MSEB LISTING REQUIREMENTS**

15. Review of Performance

The Group recorded a turnover of RM 38.6 million and profit before taxation of RM 4.2 million for the current quarter. For the year ended 31 December 2003, the Group recorded a turnover of RM 171.1 million and profit before taxation of RM 14.9 million, increases of 9% and 13% respectively over that recorded for the same period of the previous year.

During the quarter, a new Apex Pharmacy retail outlet was opened at Jaya Jusco in Permas Jaya, Johor. In manufacturing, newly launched pharmaceutical products continue to do well, resulting in improved margins. In line with its aim of forging regional strategic alliances, Xepa Soul Pattinson (M) Sdn Bhd entered into an agreement to formulate and register eight self-medication products for Taisho Pharmaceutical Co Ltd of Japan. In the same quarter, the distribution division launched "Phase 2", a starch absorption blocker formulated from natural sources. Early sales are encouraging. Construction work commenced on the division's new warehouse in Subang Jaya. In line with growing transaction volume, the division's IT capabilities were upgraded with the add-on of an Oracle database system to enhance order processing.

16. Material changes in the profit before taxation for the quarter

For the quarter under review, the Group's profit before taxation was RM 4.2 million, a 23% increase over RM 3.5 million recorded in the immediate preceding quarter. This is the result of a growing proportion of new higher margin products in the Group's sales mix.

17. Prospects

General recovery in world and regional economies, and expectations of good growth rates in the pharmaceutical sector in Malaysia leads the Board to believe that growth prospects for the financial year ending 2004 will be good. Barring unforeseen circumstances, the Board is confident that the Group's performance for the current financial year will be satisfactory compared to that achieved in 2003.

18. Profit Forecast /Profit Guarantee

Not applicable.

19. Taxation

	<b>3 MONTHS ENDED</b>		<b>YEAR ENDED</b>	
	<b>31/12/2003</b>	<b>31/12/2002</b>	<b>31/12/2003</b>	<b>31/12/2002</b>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- income tax	742	1,163	3,782	3,842
- deferred tax	312	(159)	381	(43)
	<u>1054</u>	<u>1,004</u>	<u>4,163</u>	<u>3,799</u>
In respect of prior year:				
- income tax	(33)	58	60	60
	<u><b>1,021</b></u>	<u><b>1,062</b></u>	<u><b>4,223</b></u>	<u><b>3,859</b></u>

The effective tax rate for the current quarter is marginally lower than the statutory tax rate principally due to reduction in tax arising from the termination of the retirement benefits plan by one of its subsidiary.



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(continued)**

20. Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and/or properties during the year ended 31 December 2003.

21. Quoted Securities

- (i) There were no acquisitions or disposals of quoted securities during the year ended 31 December 2003.
- (ii) There were no quoted securities held as at 31 December 2003.

22. Status of Corporate Proposals

There are no corporate proposals announced but not completed at 18<sup>th</sup> February 2004.

23. Group Borrowings and Debt Securities

- (i) The Group's current bank borrowings denominated in Ringgit Malaysia as at 31 December 2003 are as follows:

<b>Bank borrowings</b>	Secured	Unsecured	Total
Domestic	RM'000	RM'000	RM'000
- Banks	-	2,360	2,360
- Others	-	-	-
<b>Total</b>	-	2,360	2,360

- (ii) The Group did not have any non-current bank borrowings and debt securities denominated either in Ringgit Malaysia or foreign currency as at 31 December 2003.

24. Off Balance Sheet Financial Instruments

- (i) At 18<sup>th</sup> February 2004, the Group's outstanding forward foreign exchange contracts to hedge its trade receivables are as follows –

Contracted amount in S\$'000	RM'000 equivalent	Contractual rate	Maturity date
160	357	2.21 to 2.23	30 June 2004
63	140	2.23 to 2.26	30 July 2004
<b>223</b>	<b>497</b>		

- (ii) The Group does not anticipate any market or credit risks arising from these financial instruments.
- (iii) The Group enters into short-term forward foreign exchange contracts to manage its exposure to fluctuations in foreign currency exchange rates on specific transactions arising from trade receivables.
- (iv) The Group's policy is that foreign currency transactions hedged by forward foreign exchange contracts are translated to Ringgit Malaysia at the rates specified in such forward contracts. Exchange differences do not arise from such transactions as the rates used at transaction dates are similar to that adopted at settlement dates.



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(continued)**

25. Material Litigations

The Company and its subsidiaries have no outstanding material litigations at the date of this report.

26. Dividends

- (i) The Board of Directors is recommending a final tax exempt dividend of 5 sen per share for shareholders' approval at the forthcoming Annual General Meeting (Year 2002: 5 sen gross per share less tax).
- (ii) The total dividend for the current financial year ended 31 December 2003 is 9.5 sen comprising a 4.5 sen gross per share less tax and a tax exempt 5 sen per share (Year 2002: Total dividend of 9 sen per share).

27. Earnings per share

		<b>3 MONTHS ENDED</b>		<b>YEAR ENDED</b>	
		<b>31/12/2003</b>	<b>31/12/2002</b>	<b>31/12/2003</b>	<b>31/12/2002</b>
<b><u>Basic Earnings per share</u></b>			<u>Restated</u>		<u>Restated</u>
Profit after taxation	RM'000	3,201	2,366	10,665	9,284
Weighted average number of ordinary shares in issue	'000	66,011	65,530	66,011	65,530
<b>Basic earnings per share</b>	sen	<b>4.85</b>	<b>3.61</b>	<b>16.16</b>	<b>14.17</b>
<b><u>Diluted Earnings per share</u></b>					
Profit after taxation	RM'000	3,201	2,366	10,665	9,284
Weighted average number of ordinary shares in issue	'000	66,011	65,530	66,011	65,530
Adjustment for share options	'000	1,275	1,019	1,275	1,019
Weighted average number of ordinary shares in issue for diluted earnings per share	'000	67,286	66,549	67,286	66,549
<b>Diluted earnings per share</b>	sen	<b>4.76</b>	<b>3.55</b>	<b>15.85</b>	<b>13.95</b>

The basic and diluted earnings per share for the previous quarter and year has been restated as a result of the adjustment to the weighted average number of ordinary shares in issue which has taken into account the effects of dilutive potential ordinary shares arising from the conversion of the bonus issue.