



APEX HEALTHCARE BERHAD
(473108-T)
Incorporated in Malaysia

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2003
(THE FIGURES HAVE NOT BEEN AUDITED)

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED
30 SEPTEMBER 2003**

	Note	3 MONTHS ENDED		9 MONTHS ENDED	
		30/09/2003	30/09/2002	30/09/2003	30/09/2002
		RM'000	RM'000	RM'000	RM'000
Revenue	8	42,781	40,233	132,532	120,497
Expenses excluding finance cost and tax		(39,458)	(37,080)	(122,355)	(111,021)
Other operating income		158	91	574	331
Profit from operations		3,481	3,244	10,751	9,807
Finance cost		(35)	(16)	(85)	(92)
Share of results of associates and jointly controlled entities		-	-	-	-
Profit before taxation	8	3,446	3,228	10,666	9,715
Taxation	19	(1,103)	(963)	(3,202)	(2,797)
Profit after taxation		2,343	2,265	7,464	6,918
Less: Minority interests		-	-	-	-
Net profit for the period		2,343	2,265	7,464	6,918

Earnings per share		<u>Sen</u>	<u>Sen</u>	<u>Sen</u>	<u>Sen</u>
- Basic	27	3.56 @	5.21	11.35 @	15.91
- Diluted	27	3.48 @	5.12	11.09 @	15.65

@ Based on the enlarged issued and paid up share capital after the bonus issue as mentioned in note 6.

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 30 SEPTEMBER 2003

		As at	<u>Audited</u>
	Note	30/09/2003	As at
		RM'000	31/12/2002
			RM'000
Non Current Assets			
Property, plant and equipment	9	36,216	31,554
		<u>36,216</u>	<u>31,554</u>
Current Assets			
Inventories		30,102	28,091
Trade and other receivables		39,587	35,641
Deposits, bank & cash balances		11,417	12,176
		<u>81,106</u>	<u>75,908</u>
Less: Current Liabilities			
Trade and other payables		28,811	25,708
Provision for retirement benefits		1,260	39
Current taxation		902	1,081
Bank borrowings	23	1,507	2,187
Dividend payable		2,153	-
		<u>34,633</u>	<u>29,015</u>
Net Current Assets		<u>46,473</u>	<u>46,893</u>
Less: Non-Current Liabilities			
Provision for retirement benefits		-	1,149
Deferred taxation		2,207	2,138
		<u>2,207</u>	<u>3,287</u>
		<u>80,482</u>	<u>75,160</u>
Capital and Reserves			
Share capital		66,440	43,557
Reserves		14,042	31,603
Shareholders' equity		<u>80,482</u>	<u>75,160</u>
Net Tangible Assets per share (RM)		<u>1.21</u>	<u>1.73</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 QUARTER ENDED 30 SEPTEMBER 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	
Balance as at 1 January 2003						
- 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 9-months period					7,464	7,464
Capitalisation for bonus issue shares		22,015	(8,684)	-	(13,331)	-
Share issue expenses		-	(202)	-	-	(202)
Dividends	7				(3,721)	(3,721)
Issue of shares:						
-Employees Share Option Scheme	6	868	913	-	-	1,781
Balance as at 30 September 2003		66,440	(4,309)	4,191	14,160	80,482
Balance as at 1 January 2002						
- as previously reported		43,400	3,440	5,602	16,422	68,864
- prior year adjustment		-	-	-	1,736	1,736
- as restated		43,400	3,440	5,602	18,158	70,600
Net profit for the 9-months period		-	-	-	6,918	6,918
Dividends					(3,483)	(3,483)
Issue of shares:						
-Employees Share Option Scheme		146	209	-	-	355
Balance as at 30 September 2002		43,546	3,649	5,609	21,593	74,390

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 QUARTER
ENDED 30 SEPTEMBER 2003**

	9 months ended <u>30.09.2003</u> RM'000	9 months ended <u>30.09.2002</u> RM'000
Cash flows from operating activities		
Profit after taxation	7,464	6,918
Adjustments	5,673	5,375
Operating profit before working capital changes	<u>13,137</u>	<u>12,293</u>
Changes in working capital	(2,996)	794
Cash generated from operations	<u>10,141</u>	<u>13,087</u>
Cash used in operating activities	(3,411)	(3,165)
Net cash generated from operating activities	<u>6,730</u>	<u>9,922</u>
Net cash flow used in investing activities	(6,936)	(1,423)
Net cash flow used in financing activities	(594)	(2,059)
Net decrease in cash and cash equivalents	<u>(800)</u>	<u>6,440</u>
Cash and cash equivalents at the beginning of the financial year	11,157	5,946
Currency translation differences	-	-
Cash and cash equivalents at the end of the financial quarter	<u>10,357</u>	<u>12,386</u>

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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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 Kuala Lumpur Stock Exchange 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 change in accounting policy on the recognition of deferred taxation in compliance with MASB Standard No.25 "Income Taxes" which came into effect for financial statements covering periods beginning on or after 1 July 2002.

The Group 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 surplus pursuant to the International Accounting Standards 12, Income Taxes. Subsequent to the adoption of MASB 25 in this interim period, 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.

As disclosed in the interim financial report for the first quarter ended 31 March 2003, the effects arising from the adoption of MASB 25 have been adjusted retrospectively. The effect of the change of accounting policy on the Group's financial statements is disclosed in the condensed consolidated statement of changes in equity.

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.

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 third quarter ended 30 September 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.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2003 (continued)

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

During the third quarter ended 30 September 2003, the Company increased its issued and paid up share capital to RM66,439,500 from RM43,557,000 by way of :

- (i) the issue of 867,500 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 third quarter ended 30 September 2003.

7. Dividends paid

The amount of dividends paid for the nine months ended 30 September 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 ending 31 December 2003:	
Interim dividend of 4.5 sen gross per share less 28% tax payable on 8 October 2003	<u>2,153</u>
	<u>3,721</u>

8. Segmental Reporting

BUSINESS SEGMENTS	Manufactu- ring	Retailing and distribution	Investment holding	GROUP
9 MONTHS ENDED 30/09/2003	RM'000	RM'000	RM'000	RM'000
Total Revenue	28,392	117,474	4,912	150,778
Inter-segment revenue	(10,842)	(2,492)	(4,912)	(18,246)
External Revenue	17,550	114,982	-	132,532
Profit from ordinary activities before taxation	7,700	4,067	(1,101)	10,666
9 MONTHS ENDED 30/09/2002	RM'000	RM'000	RM'000	RM'000
Total Revenue	28,985	104,714	26,737	160,436
Inter-segment revenue	(10,709)	(2,493)	(26,737)	(39,939)
External Revenue	18,276	102,221	-	120,497
Profit from ordinary activities before taxation	6,969	3,702	(956)	9,715



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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

On 3rd October 2003, the Group announced that its wholly owned subsidiary, Apex Pharmacy Marketing Sdn Bhd had awarded to Stable Growth Sdn Bhd the contract to undertake the construction of the Group's Corporate Office and Distribution Centre at Lot 4892, No. 2 Jalan SS 13/5, Subang Jaya Industrial Park, 47500 Subang Jaya, Selangor Darul Ehsan for a contracted sum of RM7.7 million.

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 third quarter ended 30 September 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.

13. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2003 are as follows:

<u>Property, Plant and Equipment</u>	<u>RM'000</u>
Authorised and contracted for	200
Authorised but not contracted for	13,535
	<u>13,735</u>

14. Related Party Transactions

Significant related party transactions of the Group for the third quarter ended 30 September 2003 are as follows:

	<u>RM'000</u>
With Grafton Pharmasia Pte Ltd	
Sale of goods	4,590
Purchase of goods	2,087
With Grafton Laboratories Pte Ltd	
Royalty	218

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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2003 (continued)

ADDITIONAL INFORMATION REQUIRED BY KLSE LISTING REQUIREMENTS

15. Review of Performance

The Group recorded a turnover of RM 42.8 million and profit before taxation of RM 3.45 million for the current quarter. For the nine months ended 30 September 2003, the Group recorded a turnover of RM 132.5 million and profit before taxation of RM 10.67 million, increases of 10% each over that recorded for the same period of the previous year.

The manufacturing division licensed two of its products, Covastin® and Melicron®, to French pharmaceutical company Laboratoire Fournier for the territories of Singapore and Malaysia respectively. This collaboration marks Xepa's efforts to deepen its market share, both domestically and regionally, for its cardiovascular products. Store upgradings were completed for the Apex Pharmacy retail outlets at Damansara Town Centre and Seremban. The marketing and distribution division performed well, adding a new skincare line from Splash Corporation of the Philippines.

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

For the quarter under review, the Group's profit before taxation was RM 3.45 million, a 4% increase over RM 3.32 million recorded in the immediate preceding quarter.

17. Prospects

Recovery continues at a moderate pace from the adverse events that affected trading conditions in the first half of the year. Barring unforeseen circumstances, the Board expects that the Group's performance for the full year to be satisfactory.

18. Profit Forecast /Profit Guarantee

Not applicable.

19. Taxation

	3 MONTHS ENDED		9 MONTHS ENDED	
	30/09/2003	30/09/2002	30/09/2003	30/09/2002
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- income tax	1,105	919	3,040	2,678
- deferred tax	(96)	41	69	116
	<u>1,009</u>	<u>960</u>	<u>3,109</u>	<u>2,794</u>
In respect of prior year:				
- income tax	93	3	93	3
	<u>1,103</u>	<u>963</u>	<u>3,202</u>	<u>2,797</u>

The effective tax rate is marginally higher than the statutory income tax rate mainly due to certain expenses which are non-deductible for tax purposes.



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20. Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and/or properties during the third quarter ended 30 September 2003.

21. Quoted Securities

- (i) There were no acquisitions or disposals of quoted securities during the third quarter ended 30 September 2003.
- (ii) There were no quoted securities held as at 30 September 2003.

22. Status of Corporate Proposals

There are no corporate proposals announced but not completed at 6th November 2003.

23. Group Borrowings and Debt Securities

- (i) The Group's current bank borrowings denominated in Ringgit Malaysia as at 30 September 2003 are as follows:

Bank borrowings	Secured	Unsecured	Total
Domestic	RM'000	RM'000	RM'000
- Banks	-	1,507	1,507
- Others	-	-	-
Total	-	1,507	1,507

- (ii) The Group did not have any non-current bank borrowings and debt securities denominated either in Ringgit Malaysia or foreign currency as at 30 September 2003.

24. Off Balance Sheet Financial Instruments

- (i) At 6th November 2003, the Group's outstanding forward foreign exchange contracts to hedge its trade receivables are as follows –

Contracted amount	RM'000		
in S\$'000	equivalent	Contractual rate	Maturity date
114	250	2.18 to 2.20	31 March 2004

- (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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2003 (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 had recommended the payment of an interim dividend of 4.5sen gross per share less 28% tax in the third quarter ended 30 September 2003 which has been paid on 8th October 2003 (Year 2002: Interim tax exempt of 4 sen per share).
- (ii) The total dividend for the current financial year is 4.5 sen per share.

27. Earnings per share

		3 MONTHS ENDED		9 MONTHS ENDED	
		30/09/2003	30/09/2002	30/09/2003	30/09/2002
<u>Basic Earnings per share</u>					
Profit after taxation	RM'000	2,343	2,265	7,464	6,918
Weighted average number of ordinary shares in issue	'000	65,762	43,476	65,762	43,476
		3.56	5.21	11.35	15.91
<u>Diluted Earnings per share</u>					
Profit after taxation	RM'000	2,343	2,265	7,464	6,918
Weighted average number of ordinary shares in issue	'000	65,762	43,476	65,762	43,476
Adjustment for share options	'000	1,562	731	1,562	731
Weighted average number of ordinary shares in issue for diluted earnings per share	'000	67,324	44,207	67,324	44,207
		3.48	5.12	11.09	15.65