



APEX HEALTHCARE BERHAD

(473108-T)

Incorporated in Malaysia

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2004
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	3 MONTHS ENDED		YEAR ENDED	
		31/12/2004	31/12/2003	31/12/2004	31/12/2003
		RM'000	RM'000	RM'000	RM'000
Revenue	8	44,203	38,589	188,823	171,121
Expenses excluding finance cost and tax		(41,940)	(34,556)	(175,651)	(156,911)
Other operating income		181	215	736	789
Profit from operations	8	2,444	4,248	13,908	14,999
Finance cost		(53)	(26)	(123)	(111)
Share of results of associates and jointly controlled entities		-	-	-	-
Profit before taxation	8	2,391	4,222	13,785	14,888
Taxation	19	(465)	(1,021)	(3,957)	(4,223)
Profit after taxation		1,926	3,201	9,828	10,665
Less: Minority interests		-	-	-	-
Net profit for the year		1,926	3,201	9,828	10,665
Earnings per share		<u>Sen</u>	<u>Sen</u>	<u>Sen</u>	<u>Sen</u>
- Basic	27	2.87	4.85	14.64	16.16
- Diluted	27	2.84	4.76	14.48	15.85

The Condensed Consolidated Income Statements should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2003 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 2004
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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004

		As at	<u>Audited</u>
	Note	31/12/2004	As at
		RM'000	31/12/2003
			RM'000
Non Current Assets			
Property, plant and equipment	9	49,262	36,414
Current Assets			
Inventories		30,929	31,065
Trade and other receivables		42,278	36,552
Deposits, bank and cash balances		8,903	11,472
		<u>82,110</u>	<u>79,089</u>
Less: Current Liabilities			
Trade and other payables		27,078	25,709
Current taxation		148	825
Bank borrowings	23	7,379	2,360
		<u>34,605</u>	<u>28,894</u>
Net Current Assets		<u>47,505</u>	<u>50,195</u>
Less: Non-Current Liability			
Bank borrowings	23	2,334	-
Deferred tax liabilities		3,200	2,519
		<u>5,534</u>	<u>2,519</u>
		<u>91,233</u>	<u>84,090</u>
Capital and Reserves			
Share capital		67,372	66,697
Reserves		23,861	17,393
Shareholders' equity		<u>91,233</u>	<u>84,090</u>
Net Tangible Assets per share (RM)		<u>1.35</u>	<u>1.26</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2003 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 2004

	Note	Share capital RM'000	Non-Distributable		Distributable	Total RM'000
			Share Premium RM'000	Revaluation & other reserves RM'000	Retained Profits RM'000	
<u>YEAR ENDED 31 DECEMBER 2004</u>						
Balance as at 1 January 2004		66,697	392	4,191	12,810	84,090
Revaluation surplus on properties net of tax				1,872	-	1,872
Currency translation differences		-	-	10	-	10
Net gains not recognised in the income statement				1,882	-	1,882
Net profit for the year					9,828	9,828
Dividends	7				(5,660)	(5,660)
Issue of shares:						
-Employees Share Option Scheme	6	675	418	-	-	1,093
Balance as at 31 December 2004		67,372	810	6,073	16,978	91,233

YEAR ENDED 31 DECEMBER 2003

Balance as at 1 January 2003						
- as previously reported		43,557	3,664	5,765	23,944	76,930
- prior year adjustment		-	-	(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		1,125	1,071	-	-	2,196
Balance as at 31 December 2003		66,697	392	4,191	12,810	84,090

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 2003 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 2004**

	Year ended 31/12/2004 RM'000	Year ended 31/12/2003 RM'000
Cash flows from operating activities		
Profit before taxation	13,785	14,888
Adjustments:		
Depreciation and amortization	3,638	3,407
Loss/(Profit) on disposal of property, plant and equipment	11	(158)
Other non-cash items	<u>738</u>	<u>1,177</u>
Operating profit before working capital changes	18,172	19,314
Increase in inventories and receivables	(6,202)	(4,678)
Increase in payables	<u>1,370</u>	<u>(7)</u>
Cash generated from operations	13,340	14,629
Cash used in operating activities:		
Tax paid	(4,355)	(4,204)
Retirement benefits paid	<u>-</u>	<u>(1,395)</u>
Net cash generated from operating activities	8,985	9,030
Cash flows from investing activities:		
Purchase of property, plant and equipment	(14,490)	(8,388)
Proceeds from disposal of property, plant and equipment	117	278
Interest received	<u>147</u>	<u>84</u>
	<u>(14,226)</u>	<u>(8,026)</u>
Cash flows from financing activities:		
Proceeds from issue of shares	1,093	2,197
Dividends paid	(5,660)	(3,721)
Term loan raised less repaid	2,584	550
Other financing activities raised/(repaid)	<u>3,535</u>	<u>(237)</u>
	<u>1,552</u>	<u>(1,211)</u>
Net decrease in cash and cash equivalents	(3,689)	(207)
Cash and cash equivalents at the beginning of the financial year	10,118	10,325
Currency translation differences	9	-
Cash and cash equivalents at the end of the financial year	6,438	10,118
	=====	=====

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2003 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 YEAR ENDED 31 DECEMBER 2004

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 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 2003.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2003.

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 2003.

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

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows for the year ended 31 December 2004.

5. 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 years 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 2004, the Company increased its issued and paid up share capital to RM67,371,700 from RM66,697,500 by way of the issue of 674,200 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 year ended 31 December 2004.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)**

7. Dividends paid

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

In respect of the financial year ended 31 December	<u>31/12/2004</u> RM'000	<u>31/12/2003</u> RM'000
2004: Interim dividend of 4.75 sen gross per share less 28% tax paid on 12 October 2004	2,303	-
2003: Final tax exempt dividend of 5 sen per share paid on 23 June 2004	3,357	-
2003: Interim dividend of 4.5 sen gross per share less 28% tax paid on 8 October 2003		2,153
2002: Final dividend of 5 sen gross per share less 28% tax paid on 26 June 2003	-	1,568
	<u>5,660</u>	<u>3,721</u>

8. Segmental Reporting

BUSINESS SEGMENTS	Manufacturing	Retailing and distribution	Investment holding	GROUP
YEAR ENDED 31/12/2004	RM'000	RM'000	RM'000	RM'000
Total Revenue	40,425	162,384	9,683	212,492
Inter-segment revenue	(14,024)	-	(9,645)	(23,669)
External Revenue	26,401	162,384	38	188,823
Segment Results (external)	11,182	5,169	(1,510)	14,841
Unallocated corporate expenses				(933)
Profit from operations				13,908
Finance costs, net				(123)
Profit before taxation				13,785
YEAR ENDED 31/12/2003	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	-	171,121
Segment Results (external)	11,380	5,213	(1,042)	15,551
Unallocated corporate expenses				(552)
Profit from operations				14,999
Finance costs, net				(111)
Profit before taxation				14,888



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)**

9. Valuations of Property, Plant & Equipment

The carrying value of land and buildings is based on a valuation carried out in the current year ended 31 December 2004 by independent qualified valuers using the comparison and investment method to reflect the market value.

10 Significant Post Balance Sheet Events

There were no significant events that had arisen subsequent to the end of the year ended 31 December 2004.

11 Changes in Group Composition

(i) On 11th December 2004, the Company announced the termination of the Conditional Share Sale Agreement entered into on 12th July 2004 with Watson's Personal Care Stores Sdn Bhd ("WS") to dispose its wholly owned subsidiary, Apex Pharmacy Sendirian Berhad for an indicative sale consideration of RM14 million. This was because WS was unable to obtain the approval of the Foreign Investment Committee of Malaysia for the acquisition by that date.

(ii) On 18th November 2004, the Group announced its intention to acquire through its wholly owned subsidiary, Apex Pharmacy International Sdn Bhd a forty (40) percent equity interest in Xiamen Maidiken Science and Technology Co Ltd, a company established in China from Mr Wu Jin Xiang for a total consideration of Renminbi 40 million or RM18.4 million.

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 year ended 31 December 2004.

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 31 December 2004 are as follows:

<u>Property, Plant and Equipment</u>	<u>RM'000</u>
Authorised and contracted for	3,222
Authorised but not contracted for	11,442
	<u>14,664</u>



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)**

14. Related Party Transactions

Significant related party transactions of the Group for the year ended 31 December 2004 are as follows:

	<u>RM'000</u>
With Grafton Pharmasia Pte Ltd	
Sale of goods	4,905
Purchase of goods	1,786
With Grafton Laboratories Pte Ltd	
Royalty	101

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.

ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

15. Review of Performance

In the financial year ended 31st December 2004, the Group's revenue was RM 188.8 million, and profit before tax was RM 13.8 million. Profitability was affected by continuing difficult trading conditions in the retail division, the planned divestment of which was not approved by regulatory authorities.

During the fourth quarter the manufacturing division launched a macrolide antibiotic under the brand name Avexus®. The distribution division was appointed distributor for 3M medical products to private clinics and pharmacies, covering established brands like Micropore, Transpore white, Littmans stethoscopes, Tegaderm and Steri-strips. The Group agreed to acquire a forty percent (40%) equity interest in a pharmaceutical company in China for Renminbi 40 million. The investment is intended to give the Group exposure to the growth of the region, and is also in areas related to the Group's own operations and experience. The acquisition is condition upon fulfilment of several conditions precedent.

The earthquake and tsunami on 26th December 2004 wrought widespread destruction to life and property in South and South-East Asia. The Group established a relief fund, which contributed RM 100,000 of essential medicines to the Ministry of Defence for its aid efforts in Banda Aceh, and a further RM50,000 of medicines to relief organisations for use in their efforts.

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

The decline in profit before taxation for the quarter as compared to the previous quarter is attributed mainly to losses incurred by the retail division.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)**

17. Prospects

The Group's manufacturing and distribution divisions continue to perform satisfactorily. Plans have been implemented to control costs and raise revenues and margins in the retail pharmacy division. When completed, the Group's investment in China is expected to contribute positively to earnings. Barring unforeseen circumstances, the Board is optimistic that performance in the current financial year will improve.

18. Profit Forecast /Profit Guarantee

Not applicable.

19. Taxation

	3 MONTHS ENDED		YEAR ENDED	
	31/12/2004	31/12/2003	31/12/2004	31/12/2003
	RM'000	RM'000	RM'000	RM'000
In respect of current year:				
- income tax	177	742	3,593	3,782
- deferred tax	446	312	429	381
	623	1054	4,022	4,163
In respect of prior year:				
- income tax	(158)	(33)	(65)	60
	465	1,021	3,957	4,223

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

20. Sale of Unquoted Investments and/or Properties

As reported in the previous quarter, the Group had on 3rd November 2004 entered into a Sale and Purchase Agreement with CWM Properties Sdn Bhd for the disposal of three units of light industrial terrace factory at Bandar Sunway, Petaling Jaya for a total consideration of RM1.7 million. The disposal pending the fulfillment of certain conditions precedent remains uncompleted at the year ended 31 December 2004.

Other than the above, there were no sales of unquoted investments and/or properties during the year ended 31 December 2004.

21. Quoted Securities

- (i) There were no acquisitions or disposals of quoted securities during the year ended 31 December 2004.
- (ii) There were no quoted securities held as at 31 December 2004.



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(continued)**

22. Status of Corporate Proposals

As disclosed in note 11 'Changes in Group Composition' above, the status of the following corporate proposals are as follows:

- (i) The conditional sale of the Company's wholly owned subsidiary, Apex Pharmacy Sendirian Berhad to Watson's Personal Care Stores Sdn Bhd was terminated on 11th December 2004.
- (ii) On 18th November 2004, the Company's wholly-owned subsidiary, Apex Pharmacy International Sdn Bhd ("API") entered into the following six agreements with Xiamen Maidiken Science and Technology Co Ltd ('XMST'), Mr Wu Jin Xiang ('WJX') and Mr Wu Jin He ('WJH'), namely
- Transfer and Subscription Agreement between API, XMST, WJX and WJH.
 - Contract for Sino-Foreign Equity Joint Venture between API and WJX
 - Articles of Association of XMST between API and WJX
 - Call Option Agreement between API and WJX
 - Consultancy Service Agreement between API and WJX
 - Profit Guarantee Agreement between API and WJX

to acquire forty (40) percent equity interest in XMST for a total consideration of Renminbi 40 million or RM18.4 million. The acquisition is subject to the fulfillment of certain conditions precedent, which remain uncompleted to date.

23. Group Borrowings and Debt Securities

- (i) The Group's bank borrowings denominated in Ringgit Malaysia as at 31 December 2004 were as follows:

Bank borrowings (Unsecured)	Current	Non- Current	Total
	RM'000	RM'000	RM'000
Domestic			
- Banks	7,379	2,334	9,713
- Others	-	-	-
Total	7,379	2,334	9,713

- (ii) The Group did not have any non-current debt securities denominated either in Ringgit Malaysia or foreign currency as at 31 December 2004.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)**

24. Off Balance Sheet Financial Instruments

- (i) At 16th February 2005, 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
121	279	2.31	30 June 2005
43	98	2.29	29 July 2005
<u>164</u>	<u>377</u>		

- (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.

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 dividend of 5 sen gross per share less tax in respect of the financial year ended 31 December 2004 for shareholders' approval at the forthcoming Annual General Meeting.
(Year 2003: Tax exempt dividend of 5 sen gross per share)
- (ii) The total dividend for the current financial year ended 31 December 2004 is 9.75 sen per share
(Year 2003: Total dividend of 9.50 sen per share).



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004
(continued)

27. Earnings per share

		3 MONTHS ENDED		YEAR ENDED	
		31/12/2004	31/12/2003	31/12/2004	31/12/2003
<u>Basic Earnings per share</u>					
Profit after taxation	RM'000	1,926	3,201	9,828	10,665
Weighted average number of ordinary shares in issue	'000	67,129	66,011	67,129	66,011
Basic earnings per share	sen	2.87	4.85	14.64	16.16
<u>Diluted Earnings per share</u>					
Profit after taxation	RM'000	1,926	3,201	9,828	10,665
Weighted average number of ordinary shares in issue	'000	67,129	66,011	67,129	66,011
Adjustment for share options	'000	751	1,275	751	1,275
Weighted average number of ordinary shares in issue for diluted earnings per share	'000	67,880	67,286	67,880	67,286
Diluted earnings per share	sen	2.84	4.76	14.48	15.85