



APEX HEALTHCARE BERHAD

(473108-T)

Incorporated in Malaysia

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2005
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2005

	Note	3 MONTHS ENDED		PERIOD ENDED	
		31/03/2005	31/03/2004	31/03/2005	31/03/2004
		RM'000	RM'000	RM'000	RM'000
Revenue	8	52,873	50,809	52,873	50,809
Expenses excluding finance cost and tax		(48,620)	(46,411)	(48,620)	(46,411)
Other operating income		137	266	137	266
Profit from operations	8	4,390	4,664	4,390	4,664
Finance cost		(84)	(16)	(84)	(16)
Share of results of associates and jointly controlled entities		-	-	-	-
Profit before taxation	8	4,306	4,648	4,306	4,648
Taxation	19	(1,131)	(1,236)	(1,131)	(1,236)
Profit after taxation		3,175	3,412	3,175	3,412
Less: Minority interests		-	-	-	-
Net profit for the period		3,175	3,412	3,175	3,412

Earnings per share		<u>Sen</u>	<u>Sen</u>	<u>Sen</u>	<u>Sen</u>
- Basic	27	4.72	5.15	4.72	5.15
- Diluted	27	4.68	5.07	4.68	5.07

The Condensed Consolidated Income Statements should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial report.



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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2005

		<u>As at</u>	<u>Audited</u>
	Note	31/03/2005	As at
		RM'000	31/12/2004
			RM'000
Non Current Assets			
Property, plant and equipment	9	49,659	49,262
Current Assets			
Inventories		36,462	30,929
Trade and other receivables		47,987	42,278
Deposits, bank and cash balances		10,046	8,903
		<u>94,495</u>	<u>82,110</u>
Less: Current Liabilities			
Trade and other payables		37,565	27,078
Current taxation		254	148
Bank borrowings	23	6,603	7,379
		<u>44,422</u>	<u>34,605</u>
Net Current Assets		<u>50,073</u>	<u>47,505</u>
Less: Non-Current Liability			
Bank borrowings	23	1,982	2,334
Deferred tax liabilities		3,240	3,200
		<u>5,222</u>	<u>5,534</u>
		<u>94,510</u>	<u>91,233</u>
Capital and Reserves			
Share capital		67,433	67,372
Reserves		27,077	23,861
Shareholders' equity		<u>94,510</u>	<u>91,233</u>
Net Tangible Assets per share (RM)		<u>1.40</u>	<u>1.35</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial report.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2005

	Share capital	Non-Distributable		Distributable	Total
		Share Premium	Revaluation & other reserves	Retained Profits	
Note	RM'000	RM'000	RM'000	RM'000	RM'000
<u>PERIOD ENDED 31 MARCH 2005</u>					
Balance as at 1 January 2005	67,372	810	6,074	16,977	91,233
Net profit for the 3-months period				3,175	3,175
Dividends					
- 31 December 2004 (final) 7				-	-
Issue of shares:					
-Employees Share Option Scheme 6	61	41			102
Balance as at 31 March 2005	67,433	851	6,074	20,152	94,510
<u>PERIOD ENDED 31 MARCH 2004</u>					
Balance as at 1 January 2004	66,697	392	4,191	12,810	84,090
Net profit for 3-months period				3,412	3,412
Dividends					
- 31 December 2003 (final) 7				-	-
Issue of shares:					
-Employees Share Option Scheme 6	160	100			260
Balance as at 31 March 2004	66,857	492	4,191	16,222	87,762

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 2004 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 2005

	Period ended 31/03/2005 RM'000	Period ended 31/03/2004 RM'000
Cash flows from operating activities		
Profit before taxation	4,306	4,648
Adjustments:		
Depreciation and amortization	915	873
Loss/(Profit) on disposal of property, plant and equipment	(54)	(73)
Other non-cash items	<u>202</u>	<u>255</u>
Operating profit before working capital changes	5,369	5,703
Increase in inventories and receivables	(11,345)	(14,377)
Increase in payables	<u>10,486</u>	<u>10,559</u>
Cash generated from operations	4,510	1,885
Cash used in operating activities:		
Tax paid	<u>(1,028)</u>	<u>(951)</u>
Net cash generated from operating activities	3,482	934
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,312)	(1,214)
Proceeds from disposal of property, plant and equipment	54	77
Interest received	<u>28</u>	<u>42</u>
	<u>(1,230)</u>	<u>(1,095)</u>
Cash flows from financing activities:		
Proceeds from issue of shares	102	260
Dividends paid	-	-
Term loan raised less repaid	1,089	403
Other financing activities raised/(repaid)	<u>(1,899)</u>	<u>46</u>
	<u>(708)</u>	<u>709</u>
Net decrease in cash and cash equivalents	1,544	548
Cash and cash equivalents at the beginning of the financial period	6,438	10,118
Currency translation differences	-	-
Cash and cash equivalents at the end of the financial period	7,982	10,666

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2004 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 2005

1. Accounting policies and methods of computation

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 2004.

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 2004.

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 2004.

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 period ended 31 March 2005.

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 period ended 31 March 2005, the Company increased its issued and paid up share capital to RM67,432,700 from RM67,371,700 by way of the issue of 61,000 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 31 March 2005.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2005
(continued)**

7. Dividends paid

There were no dividends paid during the current interim period ended 31 March 2005.

8. Segmental Reporting

BUSINESS SEGMENTS	Manufactu- ring	Retailing and distribution	Investment holding	GROUP
PERIOD ENDED 31/03/2005	RM'000	RM'000	RM'000	RM'000
Total Revenue	11,314	45,507	635	57,456
Inter-segment revenue	(3,996)	-	(587)	(4,583)
External Revenue	7,318	45,507	48	52,873
Segment Results (external)	2,900	2,115	(426)	4,589
Unallocated corporate expenses				(199)
Profit from operations				4,390
Finance costs, net				(84)
Profit before taxation				4,306
PERIOD ENDED 31/03/2004	RM'000	RM'000	RM'000	RM'000
Total Revenue	11,697	42,926	343	54,966
Inter-segment revenue	(3,814)	0	(343)	(4,157)
External Revenue	7,883	42,926	-	50,809
Segment Results (external)	3,423	1,651	(202)	4,872
Unallocated corporate expenses				(208)
Profit from operations				4,664
Finance costs, net				(16)
Profit before taxation				4,648

9. 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 the previous year's audited financial statements.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2005
(continued)**

10 Significant Post Balance Sheet Events

There were no significant events that had arisen subsequent to the end of the period ended 31 March 2005.

11 Changes in Group Composition

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

Subsequently on 4th March 2005, the Company announced that API had entered into revised agreements with XMST, WJX and Mr. Wu Jin He to reduce its equity interest to twenty-five (25) percent in XMST for a total cash consideration of Renminbi 20 million which is the equivalent of RM9.8 million and simultaneously terminated by mutual agreement the original agreements entered into on 18th November 2004.

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 2005.

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 March 2005 are as follows:

<u>Property, Plant and Equipment</u>	<u>RM'000</u>
Authorised and contracted for	2,824
Authorised but not contracted for	10,721
	<u>13,545</u>



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(continued)

14. Related Party Transactions

Significant related party transactions of the Group for the period ended 31 March 2005 are as follows:

	<u>RM'000</u>
With Grafton Pharmasia Pte Ltd	
Sale of goods	523
Purchase of goods	110
With Grafton Laboratories Pte Ltd	
Royalty	42

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.

The directors, Mr. Kee Tah Peng and Dr. Kee Kirk Chin are interested in the related party transactions by virtue that they are indirect substantial shareholders of the Company through Apex Pharmacy Holdings Sdn Bhd which in turn holds 19% equity interest in Grafton Pharmasia Pte Ltd. In addition, Mr. Kee Tah Peng is also a director of Grafton Pharmasia Pte Ltd.

While another director, Mr. Jackson Chevalier Yap-Kit-Siong, a shareholder of the Company is interested by virtue that he is also a director of Grafton Pharmasia Pte Ltd, Grafton Laboratories Pte Ltd, United Medicorp Pte Ltd and Apex Pharmacy Holdings Sdn Bhd.

ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

15. Review of Performance

For the first quarter ended 31 March 2005, the Group's revenue was RM 52.9 million, and profit before tax was RM 4.3 million.

The Group's core operations of pharmaceutical manufacturing and distribution performed within expectations. Manufacturing continues to register strong sales of both newly introduced products as well as more established products, such as sterile eyedrops. Distribution division's core agency and wholesale lines enjoyed good demand. Retail pharmacies traded in a difficult and competitive environment but measures aimed at improving performance are showing results.

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

The increase by 80% in profit before taxation for the current quarter as compared to the immediately preceding quarter is due to higher sales and a reduction in trading losses from the retail division.



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(continued)

17. Prospects

Performance for the first quarter of 2005 is on budget and barring unforeseen circumstances, the Board remains confident that the Group's performance for the remainder of the year will be satisfactory.

18. Profit Forecast /Profit Guarantee

Not applicable.

19. Taxation

	3 MONTHS ENDED		PERIOD ENDED	
	31/03/2005 RM'000	31/03/2004 RM'000	31/03/2005 RM'000	31/03/2004 RM'000
In respect of current period:				
- income tax	1,092	1,116	1,092	1,116
- deferred tax	39	120	39	120
	<u>1,131</u>	<u>1,236</u>	<u>1,131</u>	<u>1,236</u>
In respect of prior period:				
- income tax	-	-	-	-
	<u>1,131</u>	<u>1,236</u>	<u>1,131</u>	<u>1,236</u>

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

20. Sale of Unquoted Investments and/or Properties

As reported in the previous quarter, the Group's disposal of three units of light industrial terrace factory at Bandar Sunway, Petaling Jaya for a total consideration of RM1.7 million, pending the fulfillment of certain conditions precedent, remains uncompleted as at 31 March 2005.

Other than the above, there were no sales of unquoted investments and/or properties during the period ended 31 March 2005.

21. Quoted Securities

- (i) There were no acquisitions or disposals of quoted securities during the period ended 31 March 2005.
- (ii) There were no quoted securities held as at 31 March 2005.



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(continued)**

22. Status of Corporate Proposals

As disclosed in note 11 ‘Changes in Group Composition’ above, the Company’s wholly-owned subsidiary, Apex Pharmacy International Sdn Bhd (“API”) had on 3rd March 2005 entered into the following revised 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
- Profit Guarantee Agreement between API and WJX
- Rescission Agreement

to acquire twenty-five (25) percent equity interest in XMST for a total consideration of Renminbi 20 million or RM9.8 million and simultaneously terminated by mutual agreement the Agreements for the acquisition of forty (40) percent equity interest in XMST that had been entered into on 18th November 2004. The investment is subject to the fulfillment of certain conditions precedent, which remains uncompleted to date.

23. Group Borrowings and Debt Securities

(i) The Group’s bank borrowings denominated in Ringgit Malaysia as at 31 March 2005 were as follows:

Bank borrowings (Unsecured)	Current	Non-current	Total
Domestic	RM’000	RM’000	RM’000
- Banks	6,603	1,982	8,585
- Others	-	-	-
Total	6,603	1,982	8,585

(ii) The Group did not have any non-current debt securities denominated either in Ringgit Malaysia or foreign currency as at 31 March 2005.

24. Off Balance Sheet Financial Instruments

(i) At 17th May 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
52	119	2.26	30 September 2005
54	122	2.28	30 September 2005
92	210	2.28	31 October 2005
198	451		



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- (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 do not recommend any interim dividend to be paid in the period ended 31 March 2005.

27. Earnings per share

		3 MONTHS ENDED		PERIOD ENDED	
		31/03/2005	31/03/2004	31/03/2005	31/03/2004
<u>Basic Earnings per share</u>					
Profit after taxation	RM'000	3,175	3,412	3,175	3,412
Weighted average number of ordinary shares in issue	'000	67,290	66,313	67,290	66,313
Basic earnings per share	sen	4.72	5.15	4.72	5.15
<u>Diluted Earnings per share</u>					
Profit after taxation	RM'000	3,175	3,412	3,175	3,412
Weighted average number of ordinary shares in issue	'000	67,290	66,313	67,290	66,313
Adjustment for share options	'000	525	997	525	997
Weighted average number of ordinary shares in issue for diluted earnings per share	'000	67,815	67,310	67,815	67,310
Diluted earnings per share	sen	4.68	5.07	4.68	5.07