



APEX HEALTHCARE BERHAD
(473108-T)
Incorporated in Malaysia

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

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	3 MONTHS ENDED		YEAR ENDED	
		31/12/2005	31/12/2004	31/12/2005	31/12/2004
		RM'000	RM'000	RM'000	RM'000
Revenue	8	43,646	44,203	190,184	188,823
Expenses excluding finance cost and tax		(39,983)	(41,940)	(176,066)	(175,651)
Other operating income		159	181	963	736
Profit from operations	8	3,822	2,444	15,081	13,908
Gain on disposal of subsidiary	4	-	-	4,946	
Finance cost	8	(164)	(53)	(612)	(123)
Share of results of associates and jointly controlled entities	8	601		689	-
Profit before taxation	8	4,259	2,391	20,104	13,785
Taxation	19	(893)	(465)	(4,072)	(3,957)
Profit after taxation		3,366	1,926	16,032	9,828
Less: Minority interests		-	-	-	-
Net profit for the year		3,366	1,926	16,032	9,828

Earnings per share		<u>Sen</u>	<u>Sen</u>	<u>Sen</u>	<u>Sen</u>
- Basic	27	4.99	2.87	23.76	14.64
- Diluted	27	4.95	2.84	23.58	14.48

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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(473108-T)

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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2005

		As at	<u>Audited</u>
	Note	31/12/2005	As at
		RM'000	31/12/2004
			RM'000
Non Current Assets			
Property, plant and equipment	9	49,940	49,262
Investment in Associate		9,784	-
		<u>59,724</u>	<u>49,262</u>
Current Assets			
Inventories		35,608	30,929
Trade and other receivables		50,524	42,278
Deposits, bank and cash balances		7,116	8,903
		<u>93,248</u>	<u>82,110</u>
Less: Current Liabilities			
Trade and other payables		32,478	27,078
Current taxation		33	148
Dividend payable		-	-
Bank borrowings	23	11,209	7,379
		<u>43,720</u>	<u>34,605</u>
Net Current Assets		<u>49,528</u>	<u>47,505</u>
Less: Non-Current Liabilities			
Bank borrowings	23	3,134	2,334
Deferred tax liabilities		3,547	3,200
		<u>6,681</u>	<u>5,534</u>
		<u>102,571</u>	<u>91,233</u>
Capital and Reserves			
Share capital		67,649	67,372
Reserves		34,922	23,861
Shareholders' equity		<u>102,571</u>	<u>91,233</u>
Net Tangible Assets per share (RM)		<u>1.52</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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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	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 2005</u>						
Balance as at 1 January 2005		67,372	810	6,074	16,977	91,233
Reversal of revaluation surplus realized upon sale of property				(680)	433	(247)
Currency translation differences			-	(42)	-	(42)
Net gain/(loss) not recognised in the income statement				(722)	433	(289)
Net profit for the year					16,032	16,032
Dividends	7				(4,858)	(4,858)
Issue of shares:						
-Employees Share Option Scheme	6	277	176			453
Balance as at 31 December 2005		67,649	986	5,352	28,584	102,571
<u>YEAR ENDED 31 DECEMBER 2004</u>						
Balance as at 1 January 2004		66,698	392	4,191	12,809	84,090
Revaluation surplus on properties net of tax				1,872		1,872
Currency translation differences			-	11	-	11
Net gains not recognised in the income statement				1,883	-	1,883
Net profit for year					9,828	9,828
Dividends	7				(5,660)	(5,660)
Issue of shares:						
-Employees Share Option Scheme		674	418	-	-	1,092
Balance as at 31 December 2004		67,372	810	6,074	16,977	91,233

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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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2005**

	Year ended 31/12/2005 RM'000	Year ended 31/12/2004 RM'000
Cash flows from operating activities		
Profit before taxation	20,104	13,785
Adjustments:		
Depreciation and amortization	3,991	3,638
(Profit)/Loss on disposal of property, plant and equipment	(495)	11
Gain on disposal of subsidiary	(4,946)	-
Share of results of associate	(689)	-
Other non-cash items	580	738
Operating profit before working capital changes	18,545	18,172
Inventories and receivables	(21,209)	(6,202)
Payables	10,617	1,370
Cash generated from operations	7,953	13,340
Cash used in operating activities:		
Tax paid	(3,616)	(4,355)
Net cash generated from operating activities	4,337	8,985
Cash flows from investing activities:		
Acquisition of associate paid in cash	(9,280)	-
Purchase of property, plant and equipment	(7,974)	(14,490)
Proceeds from sale of disposal of subsidiary	9,334	-
Proceeds from disposal of property, plant and equipment	2,015	117
Interest received	213	147
Net cash used in investing activities	(5,692)	(14,226)
Cash flows from financing activities:		
Proceeds from issue of shares	453	1,093
Dividends paid	(4,858)	(5,660)
Term loan raised less repaid	1,280	2,584
Other financing activities raised	303	3,535
Net cash (used in)/generated from financing activities	(2,822)	1,552
Net decrease in cash and cash equivalents	(4,177)	(3,689)
Cash and cash equivalents at the beginning of the financial year	6,438	10,118
Currency translation differences	(46)	9
Cash and cash equivalents at the end of the financial year	2,215	6,438

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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(473108-T)

Incorporated in Malaysia

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 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 year ended 31 December 2005 except for the gain on the disposal of the Company's wholly owned subsidiary, Apex Pharmacy Sendirian Berhad ("APSB") as disclosed in Note 11.

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 2005, the Company increased its issued and paid up share capital to RM67,649,200 from RM67,371,700 by way of the issue of 277,500 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 2005.



APEX HEALTHCARE BERHAD

(473108-T)

Incorporated in Malaysia

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2005
(continued)**

7. Dividends paid

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

In respect of the financial year ended 31 December	<u>31/12/2005</u> RM'000	<u>31/12/2004</u> RM'000
2005: Interim dividend of 5 sen per gross share less tax paid on 12 October 2005	2,429	-
2004: Final dividend of 5 sen per gross share less tax paid on 23 June 2005	2,429	-
2004: Interim dividend of 4.75 sen per gross share less tax paid on 12 October 2004	-	2,303
2003: Final dividend of 5 sen per share tax exempt paid on 23 June 2004	-	3,357
	4,858	5,660

8. Segmental Reporting

BUSINESS SEGMENTS	Manufactu- ring	Retailing and distribution	Investment holding	GROUP
YEAR ENDED 31/12/2005	RM'000	RM'000	RM'000	RM'000
Total Revenue	42,954	161,873	10,718	215,545
Inter-segment revenue	(15,321)	-	(10,040)	(25,361)
External Revenue	27,633	161,873	678	190,184
Segment Results (external)	11,017	6,605	(1,615)	16,007
Unallocated corporate expenses				(926)
Profit from operations				15,081
Gain on disposal of subsidiary				4,946
Finance costs, net				(612)
Share of results of associate				689
Profit before taxation				20,104
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



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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005
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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2005
(continued)**

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.

10 Significant Post Balance Sheet Events

On 18th January 2006, the Company completed its acquisition of the entire issued and paid-up capital amounting to 1.8 million ordinary shares of S\$1 each in Grafton Pharmasia Pte Ltd ("GPPL"), a company incorporated in Singapore, for a total cash consideration of S\$17,000 (approximately RM38,000) from UE UMC Pte Ltd (formerly known as United Medicorp Pte Ltd) ("UMC"), Apex Holdings (Pte) Ltd and Apex Pharmacy Holdings Sdn Bhd, resulting in GPPL becoming the wholly-owned subsidiary of the Company on that date.

GPPL then acquired from Grafton Laboratories Pte Ltd, a wholly-owned subsidiary of UMC, the AGNESIA trademark and all other intellectual property rights in relation to the AGNESIA trademark for a consideration of S\$1.

Other than the above, there were no significant events that had arisen subsequent to the end of the year ended 31 December 2005.

11 Changes in Group Composition

As reported in the previous quarter, the Group had disposed of its wholly-owned subsidiary, APSB to Watson's Personal Care Stores Sdn Bhd on 31st May 2005 and acquired an associated company, Xiamen Maidiken Science and Technology Co. Ltd, a company established in China on 1st August 2005.

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 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 except as disclosed in note 25.



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(473108-T)

Incorporated in Malaysia

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005
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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2005
(continued)**

13. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2005 are as follows:

<u>Property, Plant and Equipment</u>	<u>RM'000</u>
Authorised and contracted for	253
Authorised but not contracted for	22,664
	<u>22,917</u>

14. Related Party Transactions

Significant related party transactions of the Group for the year ended 31 December 2005 are as follows:

	<u>RM'000</u>
With Grafton Pharmasia Pte Ltd	
Sale of goods	5,641
Purchase of goods	380
With Grafton Laboratories Pte Ltd	
Royalty	121

At 31 December 2005, Grafton Pharmasia Pte Ltd (“ GPPL”) and Grafton Laboratories Pte Ltd were both the subsidiaries of UE UMC Pte Ltd (formerly known as 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 were 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 held 19% equity interest in GPPL. In addition, Mr. Kee Tah Peng is also a director of GPPL. Another director, Mr. Jackson Chevalier Yap-Kit-Siong, is interested by virtue of his directorship in GPPL, Grafton Laboratories Pte Ltd, UE UMC Pte Ltd and Apex Pharmacy Holdings Sdn Bhd.

As disclosed in note 10, with the completion of the Company’s acquisition of GPPL subsequent to balance sheet date, transactions with GPPL are no longer related party transactions. With the concurrent acquisition of the AGNESIA brandname by GPPL, the Group no longer has transactions with Grafton Laboratories Pte Ltd.



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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005
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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2005
(continued)**

ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

15. Review of Performance

For the final quarter ended 31 December 2005, the Group recorded revenue of RM44 million, and profit before tax of RM 4.26 million.

Group operations performed well in the fourth and final quarter of financial year 2005. Profit for the full year was increased by one-time gains realized from the divestment of the retail operations and the disposal of terraced light industrial properties at Bandar Sunway surplus to requirements.

In addition to core operations, manufacturing division has also made headway in the areas of contract manufacturing and government tenders. The division installed a high-capacity automated filling line for oral liquid products. The distribution division continued to acquire new agencies, notably for Restoria hair colour products, and implemented a new best in its class SAP ERP software to cope with higher volumes and offer more functionality to principals. For the full year, the Group equity accounted five months of profits from its associated company, Xiamen Maidiken Science and Technology Co. Ltd.

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

The increase by 19% in profit before taxation for the current quarter as compared to the immediately preceding quarter is due to stronger performance from all operations as well as contribution from associate company.

17. Prospects

The new Subang Jaya warehouse and SAP inventory software which became active in 2006 will underpin continued growth in the wholesale and distribution division. The manufacturing division will construct a technically advanced manufacturing plant for liquid products which will contribute to future performance. The Group's investments in China, Xiamen Maidiken Science and Technology Co. Ltd, and in Singapore, Grafton Pharmasia Pte Ltd and the Agnesia brand, are initial steps in expanding the Group regionally.

The Board expects a satisfactory level of profit from continuing operations in the financial year 2006.

18. Profit Forecast /Profit Guarantee

Not applicable.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

(continued)

19. Taxation

	3 MONTHS ENDED		YEAR ENDED	
	31/12/2005 RM'000	31/12/2004 RM'000	31/12/2005 RM'000	31/12/2004 RM'000
In respect of current year:				
- income tax	766	177	3,607	3,593
- deferred tax	(72)	446	226	429
- others	15	-	15	-
	<u>709</u>	<u>623</u>	<u>3,848</u>	<u>4,022</u>
In respect of prior year:				
- income tax	(1)	(158)	39	(65)
Share of tax of associate	185	-	185	-
	<u>893</u>	<u>465</u>	<u>4,072</u>	<u>3,957</u>

The effective tax rate for the current quarter is 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

There were no sale of unquoted investments and/or properties during the fourth quarter ended 31 December 2005.

21. Quoted Securities

(a) There were no acquisitions or disposals of quoted securities during the year ended 31 December 2005.

(b) There were no quoted securities held as at 31 December 2005.

22. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 15th February 2006.

23. Group Borrowings and Debt Securities

(a) The Group's bank borrowings denominated in Ringgit Malaysia as at 31 December 2005 were as follows:

Bank borrowings (Unsecured)	Current	Non-current	Total
	RM'000	RM'000	RM'000
Domestic			
- Banks	11,209	3,134	14,343
- Others	-	-	-
Total	<u>11,209</u>	<u>3,134</u>	<u>14,343</u>

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



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(473108-T)

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005
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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2005
(continued)**

24. Off Balance Sheet Financial Instruments

- (a) The Group's policy is that all material foreign currency transactions are hedged by short-term forward contracts. These are translated to Ringgit Malaysia at the rates specified in such forward contracts. The Group enters into these forward contracts to protect the Group from movements in exchange rates. Exchange gains or losses do not arise from such transactions as the rates used at transaction dates are similar to that adopted at settlement dates.
- (b) The Group does not anticipate any market or credit risks arising from these financial instruments.
- (c) At 15th February 2006, the Group's outstanding forward foreign exchange contracts to hedge its foreign monetary assets and liabilities are as follows –

Contracted amount in foreign currency to the nearest thousand	RM'000 equivalent	Contractual rate	Maturity date
S\$136	309	2.28	30 June 2006
S\$60	136	2.26	28 July 2006
US\$59	220	3.74	24 March 2006
	<u>665</u>		

25. Material Litigations

As reported in the previous quarter, save as disclosed below, there is no pending material litigation as at the date of this report:

On 23rd August 2005, the Company announced that its 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 RM1,596,000.00 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.



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(473108-T)

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2005
(continued)**

26. Dividends

- (a) The Board of Directors is recommending a final dividend of 5 sen gross per share less 28% tax in respect of the financial year ended 31 December 2005 for shareholders' approval at the forthcoming Annual General Meeting. (Year 2004: Final dividend of 5 sen gross per share less 28% tax).
- (b) The total dividend for the current financial year is 10 sen (Year 2004: Total dividend of 9.75 sen gross per share less 28% tax).

27. Earnings per share

		3 MONTHS ENDED		YEAR ENDED	
		31/12/2005	31/12/2004	31/12/2005	31/12/2004
<u>Basic Earnings per share</u>					
Profit after taxation	RM'000	3,366	1,926	16,032	9,828
Weighted average number of ordinary shares in issue	'000	67,486	67,129	67,486	67,129
Basic earnings per share	sen	4.99	2.87	23.76	14.64
<u>Diluted Earnings per share</u>					
Profit after taxation	RM'000	3,366	1,926	16,032	9,828
Weighted average number of ordinary shares in issue	'000	67,486	67,129	67,486	67,129
Adjustment for share options	'000	516	751	516	751
Weighted average number of ordinary shares in issue for diluted earnings per share	'000	68,002	67,880	68,002	67,880
Diluted earnings per share	sen	4.95	2.84	23.58	14.48