



APEX HEALTHCARE BERHAD (473108-T)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008
(THE FIGURES HAVE NOT BEEN AUDITED)**

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2008

	Note	3 MONTHS ENDED		PERIOD ENDED	
		31/03/2008	31/03/2007	31/03/2008	31/03/2007
		RM'000	RM'000	RM'000	RM'000
Revenue	9	63,855	59,840	63,855	59,840
Cost of sales		(48,516)	(45,867)	(48,516)	(45,867)
Gross profit		15,339	13,973	15,339	13,973
Other income		195	244	195	244
Selling & marketing expenses		(7,714)	(6,867)	(7,714)	(6,867)
Administrative expenses		(2,792)	(2,850)	(2,792)	(2,850)
Other expenses		(69)	(99)	(69)	(99)
Finance cost		(270)	(190)	(270)	(190)
Share of results of associates		320	189	320	189
Profit before tax		5,009	4,400	5,009	4,400
Income tax expense	21	(1,052)	(906)	(1,052)	(906)
Net profit for the year		3,957	3,494	3,957	3,494
Attributable to:					
Equity holders of the parent		3,957	3,494	3,957	3,494
Minority interest		-	-	-	-
		3,957	3,494	3,957	3,494

Earnings per share attributable to equity holders of the parent:

		<u>Sen</u>	<u>Sen</u>	<u>Sen</u>	<u>Sen</u>
- Basic	29	5.28	4.66	5.28	4.66
- Diluted	29	5.28	4.66	5.28	4.66

The Condensed Consolidated Income Statements should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial report.



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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008

(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2008

		<u>As at</u> 31/03/2008 RM'000	<u>Audited</u> As at 31/12/2007 RM'000
	Note		
Non-Current Assets			
Property, plant and equipment	10	61,643	62,708
Investment properties		3,885	3,900
Prepaid land lease payments		7,097	7,117
Intangible assets		1,578	1,626
Investment in associates		15,655	15,335
		<u>89,858</u>	<u>90,686</u>
Current Assets			
Inventories		35,232	40,575
Trade and other receivables		71,337	62,584
Deposits, bank and cash balances		14,455	11,676
		<u>121,024</u>	<u>114,835</u>
TOTAL ASSETS		<u>210,882</u>	<u>205,521</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		74,974	74,974
Reserves		9,067	9,067
Retained earnings		53,447	49,490
		<u>137,488</u>	<u>133,531</u>
Minority interest		-	-
TOTAL EQUITY		<u>137,488</u>	<u>133,531</u>
Non-Current Liabilities			
Borrowings	25	13,965	14,633
Deferred tax liabilities		4,235	4,307
		<u>18,200</u>	<u>18,940</u>
Current Liabilities			
Borrowings	25	7,514	10,848
Trade and other payables		47,032	41,932
Current tax payable		648	270
Dividend payable		-	-
		<u>55,194</u>	<u>53,050</u>
TOTAL LIABILITIES		<u>73,394</u>	<u>71,990</u>
TOTAL EQUITY AND LIABILITIES		<u>210,882</u>	<u>205,521</u>
		RM	RM
Net Assets per share attributable to ordinary equity holders of the parent		<u>1.83</u>	<u>1.78</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial report.



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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008
(THE FIGURES HAVE NOT BEEN AUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2008

	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>PERIOD ENDED 31 MARCH 2008</u>						
Balance as at 1 January 2008		74,974	5,306	3,761	49,490	133,531
Foreign currency translation, representing amount recognised directly in equity		-	-	-	-	-
Net profit for the 3-months period		-	-	-	3,957	3,957
Total recognised income and expense for the period		-	-	-	3,957	3,957
Dividends	8	-	-	-	-	-
Balance as at 31 March 2008		74,974	5,306	3,761	53,447	137,488
<u>PERIOD ENDED 31 MARCH 2007</u>						
Balance as at 1 January 2007		74,974	5,306	3,780	38,312	122,372
Foreign currency translation, representing amount recognised directly in equity		-	-	(11)	-	(11)
Net profit for the 3-months period		-	-	-	3,494	3,494
Total recognised income and expense for the period		-	-	(11)	3,494	3,483
Dividends	8	-	-	-	-	-
Balance as at 31 March 2007		74,974	5,306	3,769	41,806	125,855

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 2007 and the accompanying explanatory notes attached to the interim financial report.



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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2008

	PERIOD ENDED	
	31/03/2008	31/03/2007
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	5,009	4,400
Adjustments:		
Depreciation and amortization	1,512	1,194
Share of results of associates	(320)	(189)
Other non-cash items	600	520
Operating profit before working capital changes:	6,801	5,925
Inventories and receivables	(3,910)	(2,563)
Payables	5,100	689
Cash generated from operations	7,991	4,051
Tax paid	(622)	(491)
Net cash generated from operating activities	7,369	3,560
Cash flows from investing activities		
Purchase of property, plant and equipment & intangible assets	(364)	(2,699)
Proceeds from disposal of property, plant and equipment	-	-
Interest received	47	35
Net cash used in investing activities	(317)	(2,664)
Cash flows from financing activities:		
Term loans (repaid)/raised	(947)	1,352
Dividends paid	-	-
Other financing activities paid	(687)	(3,771)
Net cash used in financing activities	(1,634)	(2,419)
Net increase/(decrease) in cash and cash equivalents	5,418	(1,523)
Cash and cash equivalents at the beginning of the financial year	7,524	9,709
Currency translation difference	-	(11)
Cash and cash equivalents at the end of the financial year	12,942	8,175

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial report.



APEX HEALTHCARE BERHAD (473108-T)

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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008
(THE FIGURES HAVE NOT BEEN AUDITED)**

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2008

1 Accounting policies and methods of computation

The interim financial report has been prepared under the historical cost convention except for the revaluation of properties included within property, plant and equipment and investment properties.

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 2007.

2 Changes in accounting policies

The significant accounting policies adopted are consistent with those adopted in the audited financial statements for the year ended 31 December 2007 except for the adoption of the following applicable new/revised Financial Reporting Standards ("FRS") and Interpretations effective to the Group for financial year beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

The adoption of these FRSs does not have significant financial impact on the Group.

3 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 2007.

4 Seasonality or cyclicity of interim operations

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

5 Unusual items

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows for the period ended 31 March 2008.

6 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 financial year or prior financial year.

7 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

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 2008.

8 Dividends paid

There were no dividends paid during the current period ended 31 March 2008.

**APEX HEALTHCARE BERHAD (473108-T)**

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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008
(THE FIGURES HAVE NOT BEEN AUDITED)****NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2008 (continued)****9 Segmental Reporting**

BUSINESS SEGMENTS	Manufacturing	Marketing and distribution	Investment holding	GROUP
PERIOD ENDED 31/03/2008	RM'000	RM'000	RM'000	RM'000
Total Revenue	13,871	55,369	573	69,813
Inter-segment revenue	(5,530)	-	(428)	(5,958)
External Revenue	8,341	55,369	145	63,855
Segment Results (external)	3,382	2,265	(378)	5,269
Unallocated corporate expenses				(310)
Finance costs				(270)
Share of results of associate				320
Profit before tax				5,009

BUSINESS SEGMENTS	Manufacturing	Marketing and distribution	Investment holding	GROUP
PERIOD ENDED 31/03/2007	RM'000	RM'000	RM'000	RM'000
Total Revenue	11,406	51,472	554	63,432
Inter-segment revenue	(3,191)	-	(401)	(3,592)
External Revenue	8,215	51,472	153	59,840
Segment Results (external)	2,801	2,263	(264)	4,800
Unallocated corporate expenses				(399)
Finance costs				(190)
Share of results of associate				189
Profit before tax				4,400

10 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 that year's audited financial statements.

11 Significant Post Balance Sheet Events

Other than the disclosure in note 12, there were no significant events that had arisen subsequent to the end of this current period.

12 Changes in Group Composition

On 15th April 2008, the Company subscribed to 105,000 ordinary shares in Chastal Marketing Pte Ltd ("CMPL") at S\$1.00 per ordinary share, representing 35% of the issued and paid-up share capital of CMPL. CMPL is a newly incorporated private limited company in Singapore, whose principal activity is the marketing and distribution of consumer and healthcare products.

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 2008.

13 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 27.

14 Capital Commitments

Capital commitments of property, plant and equipment not provided for in the financial statements as at 31 March 2008 amounted to RM 5,102,000.



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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2008 (continued)

15 Related Party Transactions

There were no related party transactions during the period ended 31 March 2008.

16 Review of Performance

The Group recorded revenue for the three months to March 2008 of RM 63.9 million, a 7% increase from the first quarter of 2007. First quarter profit after tax of RM 4.0 million was a 13% increase over the previous corresponding period.

Manufacturing and export sales performed well in a competitive market and pharmaceutical distribution operations had a buoyant quarter. Avezol, the first product in the Group's new 'Avex' line of generic pharmaceuticals was launched in the first quarter to an encouraging response. The Group's associate company in China, Luyan Fujian Group, achieved a record quarter of sales and profits.

17 Material changes in the profit before tax for the quarter

There is no material change in Profit before tax of RM 5.0m for the current quarter compared to RM 4.77 in the immediate preceding quarter.

18 Commentary

(a) Prospects

Business operations continue to perform well despite an uncertain outlook with some fears of a slowdown in major economies. Barring unforeseen circumstances, the Group expects performance in 2008 to be satisfactory.

(b) Progress to achieve forecast revenue or profit estimate

Not applicable

19 Statement by the Board of Directors' opinion on the achievability of forecast revenue or profit estimate

Not applicable

20 Profit Forecast /Profit Guarantee

Not applicable.

21 Income Tax Expense

	3 MONTHS ENDED		PERIOD ENDED	
	31/03/2008	31/03/2007	31/03/2008	31/03/2007
	RM'000	RM'000	RM'000	RM'000
In respect of current year:				
income tax	1,124	708	1,124	708
deferred tax	(72)	198	(72)	198
others	-	-	-	-
	<u>1,052</u>	<u>906</u>	<u>1,052</u>	<u>906</u>
In respect of prior year:				
income tax	0	0	0	0
deferred tax	-	-	-	-
	<u>1,052</u>	<u>906</u>	<u>1,052</u>	<u>906</u>

The effective tax rate for the current quarter was significantly lower than the statutory tax rate principally due to availability of tax incentives in one of its subsidiaries.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2008 (continued)

22 Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investments and/or properties during the period ended 31 March 2008.

23 Quoted Securities

- (a) There were no acquisitions or disposals of quoted securities during the period ended 31 March 2008.
- (b) There were no quoted securities held as at 31 March 2008.

24 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 14th May 2008.

25 Group Borrowings and Debt Securities

	AS AT	
	31/03/2008	31/12/2007
	RM'000	RM'000
Short term bank borrowings		
Secured	239	239
Unsecured	7,275	10,609
Total	7,514	10,848
Long term bank borrowings		
Secured	478	538
Unsecured	13,487	14,095
Total	13,965	14,633
Bank borrowings denominated in foreign currency as at 31 March 2008:	SGD'000	RM'000
Singapore Dollars	970	2,230

The Group did not have any non-current debt securities denominated in Ringgit Malaysia or foreign currency as at 31 March 2008.

26 Off Balance Sheet Financial Instruments

- (a) The Group's policy is that all foreign currency transactions are hedged by short-term forward contracts. These are translated to the functional currency of the respective entities of the Group at the rates specified in such forward contracts. The Group enters into these forward contracts to protect the Group from movements in exchange rates.
- (b) The Group does not anticipate any market or credit risks arising from these financial instruments.
- (c) As at 14th May 2008, the Group's outstanding forward foreign exchange contracts to hedge its foreign currency transactions are as follows -

	Contracted amount in foreign currency to the nearest thousand	RM'000 equivalent	Contracted rate	Maturity date	Nature and terms
	SGD 192	446	2.32	30-Sep-08	Sale of goods 6 months
	SGD 72	168	2.34	31-Oct-08	Sale of goods 6 months
		614			



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2008 (continued)

27 Material Litigations

(a) Shah Alam High Court Writ of Summons between APM and SDP and ABIO and SDP

On 17th October 2007, the Company announced that Apex Pharmacy Marketing Sdn Bhd (“APM”) and ABio Marketing Sdn Bhd (“ABIO”), both wholly owned subsidiaries of the Company, had filed a Writ of Summons against Sante de Pharma Sdn Bhd (“SDP”) for breach of contract in respect of distribution agreements (‘Agreements’) entered into between APM and SDP and ABIO and SDP.

APM and ABIO are taking legal action against SDP to seek court orders:

- for SDP to pay RM1,247,426.98, this being the total net sum owed to APM and ABIO by SDP pursuant to the Agreements;
- compelling SDP to collect stocks valued at RM838,076.43 currently in the possession of APM and ABIO and to pay APM and ABIO the said sum, failing which APM and ABIO shall seek an order to dispose of the stock to recover the value; and
- damages to be assessed based on estimated loss of profits as a result of the wrongful termination of the Agreements.

APM and ABIO have in addition instituted legal proceedings to restrain SDP or any other party from dealing with or attempting to distribute the products referred to in the said Agreements.

Subsequently on 17th December 2007, SDP has filed a counter claim against APM and ABIO claiming the following:

- against APM, the sum of RM 2,514,740 being the amount allegedly owed by APM to SDP, loss of profit of RM 230,000, loss of reputation and goodwill to be determined by the court, interest, legal costs and other reliefs; and
- against ABIO, the sum of RM 1,420,719 being the amount allegedly owed by ABIO to SDP, loss of profit of RM 120,000, loss of reputation and goodwill to be determined by the court, interest, legal costs and other reliefs.

The Company is of the opinion that the counter claims have no merit, and the Company’s legal counsel has taken action to persecute the Company’s claims and defend against the counter claims.

As at 14th May 2008, there has been no change in the status from that which has been disclosed above.

(b) Shah Alam High Court Writ of Summons between Memory Tech Sdn Bhd and APM

There has been no change in status from that which has been reported in the previous quarter save that the court has postponed the Case Management to 15th May 2008.

28 Dividends

The Board of Directors do not recommend the payment of any interim dividend for the period ended 31 March 2008 (First quarter 2007: Nil)



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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008

(THE FIGURES HAVE NOT BEEN AUDITED)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2008 (continued)

29 Earnings per share

		3 MONTHS ENDED		PERIOD ENDED	
		31/03/2008	31/03/2007	31/03/2008	31/03/2007
<u>Basic Earnings per share</u>					
Profit after tax	RM'000	3,957	3,494	3,957	3,494
Weighted average number of ordinary shares in issue	'000	74,974	74,974	74,974	74,974
<hr/>					
Basic earnings per share	sen	5.28	4.66	5.28	4.66
<hr/>					
<u>Diluted Earnings per share</u>					
Profit after tax	RM'000	3,957	3,494	3,957	3,494
Weighted average number of ordinary shares in issue	'000	74,974	74,974	74,974	74,974
Adjustment for share options	'000	-	-	-	-
Weighted average number of ordinary shares in issue for diluted earnings per share	'000	74,974	74,974	74,974	74,974
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Diluted earnings per share	sen	5.28	4.66	5.28	4.66