



APEX HEALTHCARE BERHAD (473108-T)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009
(THE FIGURES HAVE NOT BEEN AUDITED)**

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	Note	3 MONTHS ENDED		PERIOD ENDED	
		30/09/2009	30/09/2008	30/09/2009	30/09/2008
		RM'000	RM'000	RM'000	RM'000
Revenue	8	72,403	67,425	212,601	193,827
Cost of sales		(54,385)	(51,352)	(160,627)	(147,168)
Gross profit		18,018	16,073	51,974	46,659
Other income		306	280	888	733
Selling & marketing expenses		(9,337)	(8,547)	(26,805)	(24,666)
Administrative expenses		(3,060)	(3,137)	(8,952)	(8,884)
Other expenses		(145)	(159)	(499)	(344)
Finance cost		(134)	(251)	(508)	(753)
Share of results of associates		665	821	1,737	1,573
Profit before tax	8	6,313	5,080	17,835	14,318
Income tax expense	20	(1,121)	(1,003)	(3,806)	(3,052)
Net profit for the period		5,192	4,077	14,029	11,266
Attributable to:					
Equity holders of the parent		4,966	3,954	13,411	11,143
Minority interest		226	123	618	123
		5,192	4,077	14,029	11,266

**Earnings per share attributable
to equity holders of the parent:**

		<u>Sen</u>	<u>Sen</u>	<u>Sen</u>	<u>Sen</u>
- Basic	28	6.62	5.27	17.89	14.86
- Diluted	28	6.62	5.27	17.89	14.86

The Condensed Consolidated Income Statements should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the Interim Financial Report.



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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2009

		<u>Audited</u>
	As at	As at
Note	30/09/2009	31/12/2008
	RM'000	RM'000
Non-Current Assets		
Property, plant and equipment	9 57,771	59,903
Investment properties	3,787	3,850
Prepaid land lease payments	6,979	7,035
Intangible assets	1,328	1,479
Investment in associates	30,533	29,296
Deferred tax assets	222	167
	<u>100,620</u>	<u>101,730</u>
Current Assets		
Inventories	43,108	41,893
Trade and other receivables	72,566	67,706
Deposits, bank and cash balances	16,396	6,919
	<u>132,070</u>	<u>116,518</u>
TOTAL ASSETS	<u>232,690</u>	<u>218,248</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	74,974	74,974
Reserves	9,297	9,297
Retained earnings	66,348	58,419
	<u>150,619</u>	<u>142,690</u>
Minority interest	8,048	7,430
TOTAL EQUITY	<u>158,667</u>	<u>150,120</u>
Non-Current Liabilities		
Borrowings	24 9,855	11,618
Deferred tax liabilities	3,975	2,702
	<u>13,830</u>	<u>14,320</u>
Current Liabilities		
Borrowings	24 5,628	11,541
Trade and other payables	50,695	41,620
Current tax payable	918	647
Dividend payable	2,952	-
	<u>60,193</u>	<u>53,808</u>
TOTAL LIABILITIES	<u>74,023</u>	<u>68,128</u>
TOTAL EQUITY AND LIABILITIES	<u>232,690</u>	<u>218,248</u>
	RM	RM
Net Assets per share attributable to ordinary equity holders of the parent	<u>2.01</u>	<u>1.90</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the Interim Financial Report.



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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	Note	Share Capital RM'000	<u>Non-Distributable</u> Share Premium RM'000	Revaluation & other reserves RM'000	<u>Distributable</u> Retained Profits RM'000	Minority Interests RM'000	Total RM'000
<u>PERIOD ENDED 30 SEPTEMBER 2009</u>							
Balance as at 1 January 2009		74,974	5,305	3,992	58,419	7,430	150,120
Foreign currency translation, representing amount recognised directly in equity		-	-	-	-	-	-
Net profit for the 9-months period		-	-	-	13,411	618	14,029
Total recognised income and expense for the period		-	-	-	13,411	618	14,029
Dividends	7	-	-	-	(5,482)	-	(5,482)
Balance as at 30 September 2009		74,974	5,305	3,992	66,348	8,048	158,667
<u>PERIOD ENDED 30 SEPTEMBER 2008</u>							
Balance as at 1 January 2008							
As previously stated		74,974	5,305	3,762	49,490	-	133,531
Effects of adopting FRS 112		-	-	-	2,320	-	2,320
As restated		74,974	5,305	3,762	51,810	-	135,851
Foreign currency translation, representing amount recognised directly in equity		-	-	211	-	-	211
Minority interest in subsidiary		-	-	-	-	5,377	5,377
Net profit for the 9-months period		-	-	-	11,143	123	11,266
Total recognised income and expense for the period		-	-	211	11,143	5,500	16,854
Dividends	7	-	-	-	(6,148)	-	(6,148)
Movements of reserves as a result of group restructuring		-	-	-	(2,092)	-	(2,092)
Balance as at 30 September 2008		74,974	5,305	3,973	54,713	5,500	144,465

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 2008 and the accompanying explanatory notes attached to the Interim Financial Report.



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**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009
(THE FIGURES HAVE NOT BEEN AUDITED)**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	PERIOD ENDED	
	30/09/2009	30/09/2008
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	17,835	14,318
Adjustments:		
Depreciation and amortization	4,780	4,676
Net profit on disposal of property, plant and equipment	(173)	(41)
Impairment of assets	-	-
Share of results of associates	(1,737)	(1,573)
Other non-cash items	3,866	1,762
Operating profit before working capital changes:	24,571	19,142
Inventories	(3,591)	(2,458)
Receivables	(5,812)	(7,422)
Payables	9,076	12,106
Cash generated from operations	24,244	21,368
Tax paid	(2,419)	(1,813)
Net cash generated from operating activities	21,825	19,555
Cash flows from investing activities		
Acquisition of associate paid in cash	-	(7,052)
Dividends received from associate	501	-
Purchase of property, plant and equipment & intangible assets	(2,384)	(3,113)
Proceeds from disposal of property, plant and equipment	179	104
Interest received	71	114
Net cash used in investing activities	(1,633)	(9,947)
Cash flows from financing activities:		
Term loans repaid	(2,247)	(2,814)
Dividends paid	(2,530)	(3,374)
Other financing activities paid	(4,730)	1,076
Net cash used in financing activities	(9,507)	(5,112)
Net increase in cash and cash equivalents	10,685	4,496
Cash and cash equivalents at the beginning of the financial period	5,711	7,524
Currency translation difference	-	30
Cash and cash equivalents at the end of the financial period	16,396	12,050

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the Interim Financial Report.



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**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009
(THE FIGURES HAVE NOT BEEN AUDITED)**

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2009

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 significant accounting policies adopted are consistent with those adopted in the audited financial statements for the year ended 31 December 2008.

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 2008.

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 2008.

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 30 September 2009.

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 financial year or prior financial year.

6 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 30 September 2009.

7 Dividends paid

The amount of dividends paid/payable during the current and previous interim periods are as follows:

	30/09/2009	30/09/2008
<u>In respect of the financial year ended 31 December</u>	<u>RM'000</u>	<u>RM'000</u>
2009: Interim Dividend of 5.25 sen gross per share less tax payable on 16-Oct-09	2,952	
2008: Final Dividend of 4.5 sen gross per share less tax paid on 23-Jun-09	2,530	-
2008: Interim Dividend of 5 sen gross per share less tax payable on 16-Oct-08	-	2,774
2007: Final Tax-exempt Dividend of 4.5 sen per share paid on 23-Jun-08		3,374
	<u>5,482</u>	<u>6,148</u>

8 Segmental Reporting

BUSINESS SEGMENTS	Manufacturing	Marketing and distribution	Investment holding	GROUP
PERIOD ENDED 30/09/2009	RM'000	RM'000	RM'000	RM'000
Total Revenue	50,339	176,174	9,055	235,568
Inter-segment revenue	(14,357)	-	(8,610)	(22,967)
External Revenue	35,982	176,174	445	212,601
Segment Results (external)	12,547	6,498	(1,580)	17,465
Unallocated corporate expenses				(859)
Finance costs				(508)
Share of results of associate				1,737
Profit before tax				17,835



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**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2009 (continued)

8 Segmental Reporting - cont'd

BUSINESS SEGMENTS	Manufacturing	Marketing and distribution	Investment holding	GROUP
PERIOD ENDED 30/09/2008	RM'000	RM'000	RM'000	RM'000
Total Revenue	41,255	166,871	7,794	215,920
Inter-segment revenue	(14,739)	-	(7,354)	(22,093)
External Revenue	26,516	166,871	440	193,827
Segment Results (external)	9,458	6,167	(1,228)	14,397
Unallocated corporate expenses				(899)
Finance costs				(753)
Share of results of associate				1,573
Profit before tax				14,318

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 that year's audited financial statements.

10 Significant Post Balance Sheet Events

There were no significant events that had arisen subsequent to the end of this current period.

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 period ended 30 September 2009.

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 26.

13 Capital Commitments

Capital commitments of property, plant and equipment not provided for in the financial statements as at 30 September 2009 is as follows:

	<u>RM'000</u>
Authorised capital expenditure approved and contracted for	856
Authorised capital expenditure approved but not contracted for	1,002
	<u>1,858</u>

14 Related Party Transactions

There were no related party transactions during the period ended 30 September 2009.

15 Review of Performance

In the first nine months to September 2009, Group revenues were RM212.6 million, with RM 17.8 million profit before tax, representing a 10% increase in revenue over the first three quarters of financial year 2008, and a 25% rise in profit before tax. This can be attributed to continuing strong sales of key Xepa products both domestically and in export markets, as well as good demand for pharmaceutical wholesale items in Malaysia. Group margins have improved as a result of the increased portfolio of own-brand products in the sales mix due to sustained sales and marketing programs.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2009 (continued)

16 Material changes in the profit before tax for the quarter

The increase in profit before tax over the previous quarter to RM 6.3 m from RM 5.5 m is attributed to the continuing uptrend in sales and higher proportion of sales coming from higher margin products.

17 Commentary

(a) Prospects

The Group has committed resources to international marketing of selected existing product lines which have good export potential, and plans are advanced to develop new export products for promising markets. In existing markets, management continues to focus on core business operations, with an emphasis on ensuring cost efficiency and improving margins. Barring unforeseen circumstances, the Board expects both Group revenue and profits for financial year 2009 to be satisfactory.

(b) Progress to achieve forecast revenue or profit estimate

Not applicable

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

Not applicable

19 Profit Forecast /Profit Guarantee

Not applicable.

20 Income Tax Expense

	3 MONTHS ENDED		PERIOD ENDED	
	30/09/2009	30/09/2008	30/09/2009	30/09/2008
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
income tax	947	1,047	2,968	2,974
deferred tax	297	163	960	286
others	-	-	-	-
	1,244	1,210	3,928	3,260
In respect of prior period:				
income tax	(123)	(207)	(122)	(208)
deferred tax	-	-	-	-
	1,121	1,003	3,806	3,052

21 Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investments and/or properties during the period ended 30 September 2009.

22 Quoted Securities

(a) There were no acquisitions or disposals of quoted securities during the period ended 30 September 2009.

(b) There were no quoted securities held as at 30 September 2009.

23 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 11th November 2009.

24 Group Borrowings and Debt Securities

	AS AT	
	30/09/2009	31/12/2008
	RM'000	RM'000
Short term bank borrowings		
Secured	124	250
Unsecured	5,504	11,291
Total	5,628	11,541



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2009 (continued)

24 Group Borrowings and Debt Securities - cont'd

	AS AT	
	30/09/2009	31/12/2008
	RM'000	RM'000
Long term bank borrowings		
Secured	250	312
Unsecured	9,605	11,306
Total	9,855	11,618
Bank borrowings denominated in foreign currency as at 30 September 2009	SGD'000	RM'000
Singapore Dollars	956	2,294

The Group did not have any non-current debt securities denominated in Ringgit Malaysia or foreign currency as at 30 September 2009.

25 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 11th November 2009, 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 180	437	2.43	31-Mar-10	Sale of goods 6 months
	SGD 54	133	2.45	30-Apr-10	Sale of goods 6 months
		570			

26 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 RM1,247,427, 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 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 prosecute the Company's claims and defend against the counter claims.

There has been no further developments save that the Court has postponed the case to 10th February 2010 for Case Management.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2009 (continued)

26 Material Litigations - cont'd

(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 quarters save that the plaintiff, Memory Tech Sdn Bhd is currently undergoing liquidation and their lawyers have filed a notice to discharge themselves. Upon their discharge, our solicitors will apply to the court to strike out the suit. In the meantime, the court has postponed the hearing to 23rd December 2009.

27 Dividends

- (a) The interim dividend of 5.25 sen gross per share less 25% tax in respect of the financial period ending 31 December 2009 has been paid on 16th October 2009.
- (b) The total dividend for the current financial year of 5.25 sen gross per share less tax. (Year 2008: Interim taxable dividend of 5 sen gross per share less 26% tax).

28 Earnings per share

	3 MONTHS ENDED		PERIOD ENDED	
	30/09/2009	30/09/2008	30/09/2009	30/09/2008
<u>Basic Earnings per share</u>				
Profit after tax RM'000	4,966	3,954	13,411	11,143
Weighted average number of ordinary shares in issue '000	74,974	74,974	74,974	74,974
Basic earnings per share sen	6.62	5.27	17.89	14.86
<u>Diluted Earnings per share</u>				
Profit after tax RM'000	4,966	3,954	13,411	11,143
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
Diluted earnings per share sen	6.62	5.27	17.89	14.86