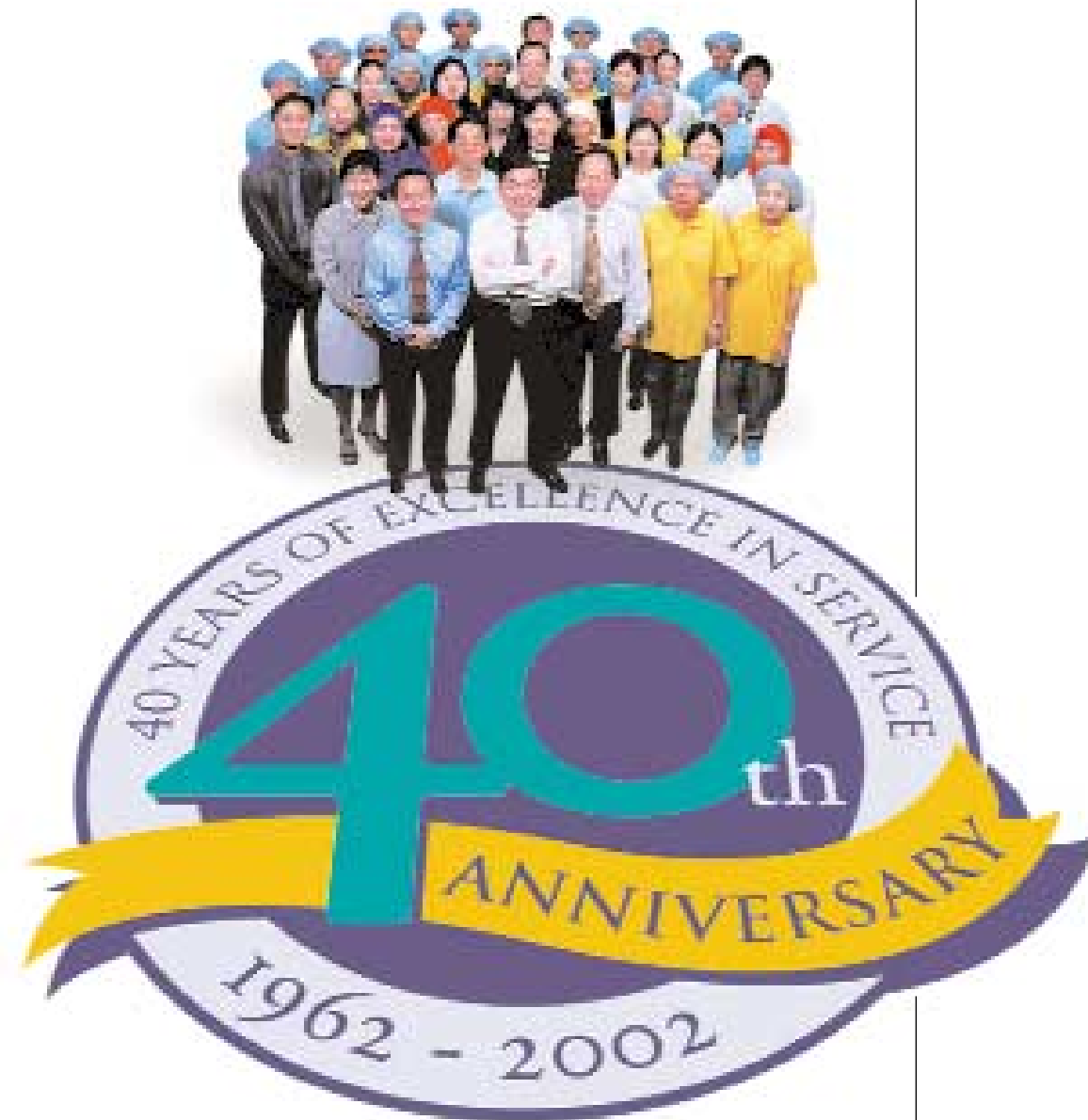


laporan tahunan  
**2002**  
annual report



**Apex Healthcare Berhad** (473108-T)  
134/2, Kompleks Perniagaan Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka, Malaysia  
[t] +606-284 7381 [f] +606-283 2140 [www.ahealth.com.my](http://www.ahealth.com.my)



**Apex Healthcare Berhad**  
(473108-T)

# directory of retail pharmacies

Apex Pharmacy Sdn Bhd

|     | RETAIL PHARMACIES   | TEL. NO.    | FAX. NO.    | PHARMACIST                           |
|-----|---|-------------|-------------|--------------------------------------|
|     | <b>KLANG VALLEY</b>   |             |             |                                      |
| 1.  | Lot G03, Ground Floor, Ampang Point Shopping Centre<br>Jalan Mamanda 3, 68000 Ampang, Selangor Darul Ehsan                    | 03-42574691 | 03-42574691 | Ms Chong Lee Chia                    |
| 2.  | B6, Block B, Jalan Damanlela, Pusat Bandar Damansara,<br>Damansara Heights, 50490 Kuala Lumpur                                | 03-20957098 | 03-20957098 | Ms Foo Hwei Jiek                     |
| 3.  | 115 Jalan Mega Mendung, Bandar Complex,<br>Overseas Union Garden, Jalan Klang Lama, 58200 Kuala Lumpur                        | 03-79830550 | 03-79830550 | Ms Chai Swee Chin                    |
| 4.  | Lot 10F, Level 1, Anjung, Block E16, No. 1 Persiaran Perdana<br>62000 Putrajaya, Wilayah Persekutuan                          | 03-88893228 | 03-88893226 | Ms Prema Achu                        |
| 5.  | Tesco Puchong, Lot No. 10 Ground Floor, 148-149 Jalan Bandar 3,<br>Pusat Bandar Puchong, 47100 Puchong, Selangor Darul Ehsan. | 03-80765670 | 03-80765671 | Ms Lim Mooi Choo                     |
| 6.  | Tesco Mutiara Damansara, Lot No. 18, Ground Floor,<br>No. 8 Jln PJU 7/4, Mutiara Damansara, 47800 Petaling Jaya, Selangor     | 03-77255717 | 03-77250272 | Ms Yew Tian Tian<br>Ms Chiew Mei Yee |
| 7.  | Tesco Klang, Lot No. 18, Ground Floor, No. 3 Jalan Batu Nilam 6/KS6,<br>Bandar Bukit Tinggi, 41200 Klang, Selangor            | 03-33235841 | 03-33235861 | Ms Wuan Wai Leng                     |
| 8.  | Lot F/L1, 3.0 First World Hotel Lobby, 69000 Genting Highlands, Pahang  | 03-64361180 | 03-64361181 | Ms Swanee Teh                        |
|     | <b>PERAK</b>  |             |             |                                      |
| 9.  | Lot 11-12, Yik Foong Shopping Complex, Jalan Laxamana, 30300 Ipoh, Perak  | 05-2538655  | 05-2411818  | Ms Wong Puie Yee                     |
|     | <b>PENANG</b>   |             |             |                                      |
| 10. | No. 373G, Vantage Point, Jalan Perak, 11600 Penang  | 04-2814340  | 04-2814371  | Ms Lee Mei Teng                      |
|     | <b>MELAKA</b>   |             |             |                                      |
| 11. | Ground Floor, Pasaraya Ocean Melaka, Plaza Hang Tuah,<br>Jalan Tun Mamat, 75300 Melaka  | 06-2848554  | 06-2848554  | Cik Bibi Zailina                     |
| 12. | 83-A Jalan Munshi Abdullah, 75100 Melaka  | 06-2825296  | 06-2825296  | Puan Noramizah Ismail                |
|     | <b>NEGERI SEMBILAN</b>  |             |             |                                      |
| 13. | No. 32 Jalan Dato' Sheikh Ahmad, 70000 Seremban, Negeri Sembilan  | 06-7638235  | 06-7638235  | Mr Lee Wei Sein                      |
|     | <b>JOHOR</b>  |             |             |                                      |
| 14. | 24 Jalan Tengku Ahmad, 85000 Segamat, Johor Darul Takzim  | 07-9319825  | 07-9319825  | Mr Low Chor Ling                     |
| 15. | 52 & 53 Jalan Jenang, 83000 Batu Pahat, Johor Darul Takzim  | 07-4341907  | 07-4341907  | Puan Norzalizan                      |
| 16. | Ground Floor, Pasaraya Ocean Johor Bahru, Kompleks Lian Hoe,<br>Jalan Sutera, Taman Sentosa, 80150 Johor                      | 07-3352330  | 07-3352330  | Ms Chang Sam Yee                     |
| 17. | Lot 17-19 Ground Floor, Kompleks TAR, Jalan Wong Ah Fook,<br>80000 Johor Bahru, Johor   | 07-2224860  | 07-2224860  | Ms Hon Hong Wah<br>Ms Lee Yee Kuan   |
| 18. | Lot M2-17, Level 2, Johor Bahru City Square, Jalan Wong Ah Fook,<br>80000 Johor Bahru, Johor                                  | 07-2216287  | 07-2216287  | Ms Gan Siew Siew                     |
|     | <b>KELANTAN</b>   |             |             |                                      |
| 19. | PT 533/A & 534/A, Taman Murni, Jalan Pengkalan Chepa, 16100 Kota Bharu, Kelantan  | 09-774 3666 | 09-774 1118 | Puan Ismawati                        |
|     | <b>SABAH</b>  |             |             |                                      |
| 20. | 2, Jalan Pantai, 88000 Kota Kinabalu, Sabah   | 088-255 100 | 088-210 222 | Ms Chan Jit Ngoh                     |
|     | <b>SARAWAK</b>  |             |             |                                      |
| 21. | R122, 1st Floor, Sarawak Plaza, Jln Tunku Abdul Rahman,<br>93100 Kuching, Sarawak   | 082-413605  | 082-413605  | Mr Eric Cheong                       |
| 22. | No. 15 Ground Floor, Electra House, 93000 Kuching, Sarawak  | 082-246011  | 082-246011  | Ms Janet Ting                        |
| 23. | Lot No. 19 Upper Ground Floor, Wisma Saberkas,<br>Jln Tun Abang Hj Openg, 93000 Kuching, Sarawak                              | 082-411025  | 082-411035  | Ms Christina Kuang                   |



|   |                    |
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40 years of excellence in service

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1. 1972: Apex Pharmacy at Jalan Barat, Petaling Jaya, Selangor.
2. 1974: Mr. Kee Tah Peng, Mr. Jim Millner and The Honourable Chief Minister of Melaka, Dato Ghani Ali at the Official Opening of Xepa-Soul Pattinson (M) Sdn Bhd at Ayer Keroh Industrial Estate, Melaka.
3. 1974: Capsuling Department, Xepa-Soul Pattinson (M) Sdn Bhd.
4. 1974: Production of Tablets, Xepa-Soul Pattinson (M) Sdn Bhd.
5. 2002: Apex Pharmacy at Tesco Hypermarket, Puchong
6. 2000: Apex Healthcare Berhad Website
7. 1995: Xepa-Soul Pattinson (M) Sdn Bhd at Cheng Industrial Estate, Melaka.
8. 2002: Apex Pharmacy Marketing Sdn Bhd - Distribution and Logistics operations.
9. 2002: Capsuling Department, Xepa-Soul Pattinson (M) Sdn Bhd.



1



2



3

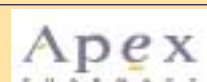


4

The evolution of the  
APEX IDENTITY



1962



1989



1999



40 years of excellence in service



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## notice of annual general meeting

**NOTICE IS HEREBY GIVEN** that the Fourth Annual General Meeting of Apex Healthcare Berhad will be held at Bunga Raya Ballroom 1, 7<sup>th</sup> Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Wednesday 21 May 2003 at 10.30 a.m.

1. To receive and adopt the Statutory Financial Statements for the financial year ended 31 December 2002 together with the Directors' and Auditors' Reports thereon.  
**Resolution 1**
2. To approve a final dividend of 5 sen gross per share less tax for the financial year ended 31 December 2002.  
**Resolution 2**
3. To approve the payment of Directors' fees for the financial year ended 31 December 2002.  
**Resolution 3**
4. To re-elect the following Directors retiring in accordance with Article 89 of the Company's Articles of Association:-
  - i. Robert Dobson Millner **Resolution 4**
  - ii. Ki Tak Sang @ Kee Tak Sang **Resolution 5**
  - iii. Jackson Chevalier Yap-Kit-Siong **Resolution 6**
5. To consider and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-  
  
 "THAT Kee Tah Peng @ Hee Teck Peng, retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company and to hold office until the next Annual General Meeting."  
  
**Resolution 7**
6. To appoint Auditors and to authorize the Directors to fix their remuneration.  
  
 "THAT Messrs Ernst & Young, having consented to act, be and are hereby appointed Auditors of the Company in place of the retiring auditors Messrs PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given for the Directors to determine their remuneration."  
  
**Resolution 8**
7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.



NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS HEREBY GIVEN THAT** a final dividend of 5 sen gross per share less tax for the financial year ended 31 December 2002, if approved, will be paid on 26 June 2003. The entitlement date for the payment is 3 June 2003.

A depositor shall qualify for entitlement only in respect of:-

- a) Shares transferred into the Depositor's Securities Accounts before 4.00 p.m. on 3 June 2003 in respect of ordinary transfer; and
- b) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

BY ORDER OF THE BOARD

**YEOH CHONG KEAT** (MIA 2736)  
**KWONG LIEN WAH** (MIA 3422)  
Secretaries  
Melaka

29 April 2003

**Notes:**

- (i) A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies, and in the case of a corporation, a duly authorised representative to attend and vote in his stead.
- (ii) A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.
- (iii) Pursuant to paragraph 7.22 of the Listing Requirements of Kuala Lumpur Stock Exchange, where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Please indicate the securities account number where applicable.
- (iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
- (v) The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 134/2, Kompleks Perniagaan Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.



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## statement accompanying notice of annual general meeting

Pursuant to paragraph 8.28 (2) and format as set out in Appendix 8A of the Kuala Lumpur Stock Exchange's Listing Requirements.

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### 1. Names of Individuals Who Are Standing for Election or Re-election

The directors standing for re-election in accordance with Article 89 of the Company's Articles of Association are Mr Robert Dobson Millner, Mr Ki Tak Sang @ Kee Tak Sang and Mr Jackson Chevalier Yap-Kit-Siong.

Kee Tah Peng @ Hee Teck Peng is standing for re-appointment under Section 129(6) of the Companies Act, 1965.

### 2. The Details of Attendance of Directors at Board Meetings

Details of attendance of the above-named directors are as follows:

| DIRECTOR                        | POSITION  | ATTENDANCE OF BOARD MEETING IN 2002 |     |     |     | TOTAL |
|---------------------------------|---|-------------------------------------|-----|-----|-----|-------|
|                                 |   | Feb                                 | May | Aug | Nov |       |
| Kee Tah Peng @ Hee Teck Peng    | Non-Executive Chairman#   | •                                   | •   | •   | •   | 4     |
| Ki Tak Sang @ Kee Tak Sang      | Executive Director  | •                                   | •   | •   | •   | 4     |
| Robert Dobson Millner           | Non-Executive Director  | •                                   | •   | •   |     | 3     |
| Jackson Chevalier Yap-Kit-Siong | Non-Executive Director<br>Chairman of Remuneration<br>and Nomination Committees | •                                   | •   |     | •   | 3     |

# Retired as Executive Chairman on 31<sup>st</sup> December 2002 and reappointed as Non-Executive Chairman on 1<sup>st</sup> January 2003

### 3. The Place, Date and Hour of the General Meeting

Details of the place, date and hour of the annual general meeting held during 2002 are as follows:

| DATE                      | HOUR       | PLACE   |
|---------------------------|------------|---|
| 22 <sup>nd</sup> May 2002 | 10:30 a.m. | Bunga Melati Room, 7 <sup>th</sup> Floor,<br>Renaissance Melaka Hotel,<br>Jalan Bendahara, 75100 Melaka |

### 4. Further Details of Individuals Standing for Re-election as Directors

Details of all directors, including those standing for re-election or re-appointment, are found on pages 9 to 13. The securities holdings of directors are found on page 78.



BOARD OF DIRECTORS





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## corporate information

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### COMPANY SECRETARIES

Yeoh Chong Keat (MIA 2736)  
Kwong Lien Wah (MIA 3422)

### REGISTERED OFFICE

134/2, Kompleks Perniagaan  
Munshi Abdullah  
Jalan Munshi Abdullah  
75100 Melaka  
Tel: 06-2847381  
Fax: 06-2832140

### PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad  
777, Jalan Hang Tuah  
75300 Melaka

Malayan Banking Berhad  
Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur

OCBC Bank (Malaysia) Berhad  
6, Lorong Hang Jebat  
75200 Melaka

### AUDITORS

PricewaterhouseCoopers (AF No. 1146)  
Chartered Accountants  
12<sup>th</sup> Floor, Bangunan Yayasan Melaka  
Jalan Hang Tuah  
75300 Melaka

### LEGAL ADVISORS

Chee Siah Le Kee & Partners  
Advocates & Solicitors  
105, Taman Melaka Raya  
75000 Melaka

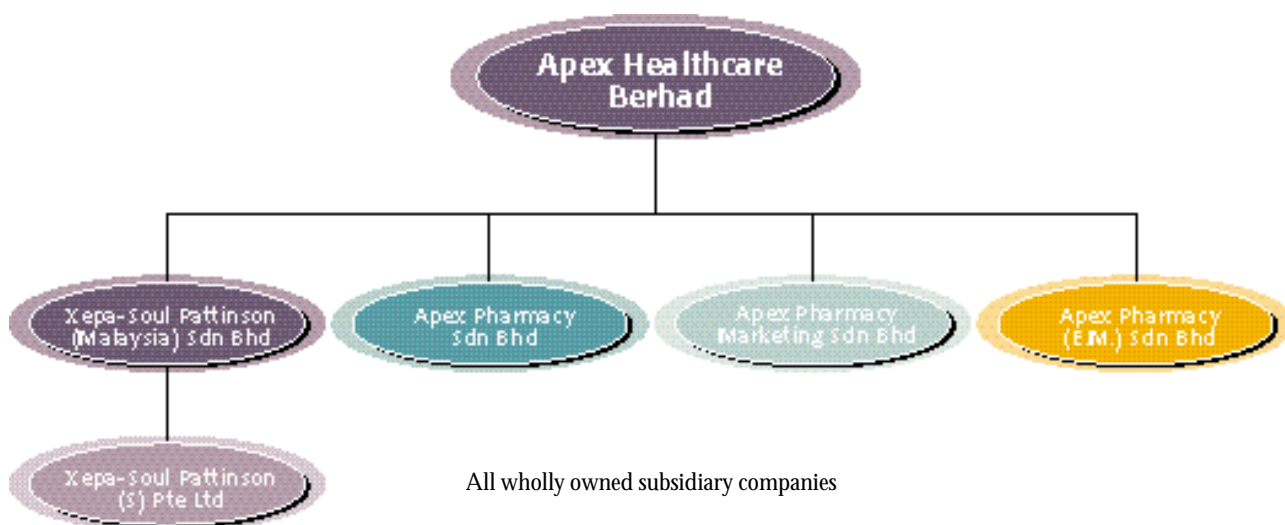
### SHARE REGISTRARS

PFA Registration Services Sdn. Bhd.  
Level 13, Uptown 1  
No. 1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-77254888 Fax: 03-77222311

### STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange  
(Second Board)  
Stock Code: 7090  
Stock Name: AHEALTH

## corporate structure



## directors' information

Pursuant to paragraph 9.25 and Appendix 9C Part A(3) of the KLSE Listing Requirements



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### KEE TAH PENG @ HEE TECK PENG Chairman

Kee Tah Peng @ Hee Teck Peng, 72, a Singaporean, was appointed to the Board on 15th February 2000 and as Executive Chairman of the Company on 3rd March 2000. He became Non-executive Chairman of the Company on 1st January 2003. He graduated with a Pharmaceutical Chemist Certificate issued by the Pharmacy Board of New South Wales, Australia from University of Sydney, Australia in 1958. He started his career as a pharmacist with Federal Dispensary, Singapore, a pharmaceutical retailer and wholesaler. In 1962, he left to establish Apex Pharmacy Sdn Bhd and Xepa-Soul Pattinson (Malaysia) Sdn Bhd in Melaka, eventually becoming the Group Managing Director.

He is the father of Dr Kee Kirk Chin and the cousin of Ki Tak Sang. He is deemed to be a substantial shareholder of the Company as he is a substantial shareholder and Director of Apex Pharmacy Holdings Sdn Bhd, which holds 39.90% equity in the Company. Save as disclosed above and in the Circular on the Shareholders' Mandate on Recurrent Related Party Transactions, he does not have any family relationships with any other director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2002. He has had no convictions for any offences within the past 10 years.

### DR KEE KIRK CHIN Group Managing Director

Dr. Kee Kirk Chin, 41, a Singaporean, was appointed to the Board on 15th February 2000 and as the Managing Director of the Company on 3rd March 2000. He obtained a Bachelor in Arts with Honours in 1985, a M.B.B. Chir. in 1987, a Master of Arts in 1989 from University of Cambridge, UK and a Master of Business Administration ("MBA") with distinction in 1993 from University of Hull, UK. He is a registered Medical Practitioner with the Singapore Medical Council and the General Medical Council, UK. He began his career as a House Officer with National University Hospital, later joining United MediCorp Pte. Ltd as Director of Business Development in 1990, becoming its Chief Executive Officer in 1996. United MediCorp has interests in several healthcare companies in six Asian countries involved in pharmaceuticals, clinical equipment, hospital support services and private hospitals.

He is the son of Kee Tah Peng and the nephew of Ki Tak Sang. He is deemed to be a substantial shareholder of the Company as he is a substantial shareholder and Director of Apex Pharmacy Holdings Sdn Bhd, which holds 39.90% equity in the Company. Save as disclosed above and in the Circular on the Shareholders' Mandate on Recurrent Related Party Transactions, he does not have any family relationships with any other director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2002. He has had no convictions for any offences within the past 10 years.



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## directors' information

Pursuant to paragraph 9.25 and Appendix 9C Part A(3) of the KLSE Listing Requirements

### KI TAK SANG @ KEE TAK SANG

#### Executive Director

Ki Tak Sang @ Kee Tak Sang, PJK, JP, 59, a Malaysian, was appointed to the Board on 15th February 2000 and as the Executive Director and Financial Controller of the Company on 3rd March 2000. He ceased to be Financial Controller and was appointed Executive Director (Business Development) on 1st October 2003. He is also a member of the Audit Committee. He has been a Fellow of the Association of International Accountants, UK since 1984 and started his career with Apex Pharmacy Sdn Bhd as its Financial Controller in 1970, later becoming its Finance Director in 1980. He was also an Accounts Executive in Xepa-Soul Pattinson (Malaysia) Sdn Bhd in 1974, later becoming its Finance Director in 1992. He is also a Non-Executive Director of Polymate Holdings Bhd, a company listed on the Main Board of the Kuala Lumpur Stock Exchange. He was conferred with a PJK medal in 1996 and the JP in 2001 by the Yang Di Pertua Negeri Melaka.

He is the cousin of Kee Tah Peng and uncle of Dr Kee Kirk Chin. He is a Director of Apex Pharmacy Holdings Sdn Bhd, which holds 39.90% equity in the Company. Save as disclosed above and in the Circular on the Shareholders' Mandate on Recurrent Related Party Transactions, he does not have any family relationships with any other director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2002. He has had no convictions for any offences within the past 10 years.

### JACKSON CHEVALIER YAP-KIT-SIONG

#### Non-Executive Director

Jackson Chevalier Yap-Kit-Siong, 51, a Singaporean, was appointed as a Non-Executive Director of the Company on 15th February 2000. He is currently the Chairman of the Remuneration and Nomination Committees. He graduated with a Bachelor of Engineering with Honours from University of Auckland, New Zealand in 1974 under a Colombo Plan Scholarship.

He started his career with Shell Eastern Pte. Ltd. in 1977 as a Technologist, later joined Petrochemical Corporation of Singapore in 1984 as the Planning Manager and Vanol F.E. Marketing Pte. Ltd. in 1988 as Trading Manager. He joined Exxon Chemical (Singapore) Pte. Ltd. in 1993 as an Intermediates Manager, becoming Manager in the Planning Department in 1995. Then in 1997, he joined United Engineers Limited ("UEL") as Chief Operating Officer, a company listed on the Singapore Stock Exchange, whose principal activities consist of investment holding, property ownership and development, construction and engineering services, healthcare, information technology and equipment fabrication, becoming its Group Managing Director in 2001.

He is a director of Apex Pharmacy Holdings Sdn Bhd, which holds 39.90% equity in the Company. Save as disclosed above and in the Circular on the Shareholders' Mandate on Recurrent Related Party Transactions, he does not have any other family relationships with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended three of the four Board Meetings held in the financial year ended 31st December 2002. He has had no convictions for any offences within the past 10 years.





**ROBERT DOBSON MILLNER**  
Non-Executive Director

Robert Dobson Millner, 52, an Australian, was appointed as a Non-Executive Director of the Company on 23rd February 2000. He was a farmer and grazier prior to joining the Board of Washington H Soul Pattinson & Co Limited ("WHSP") in 1984, a company listed on the Australian Stock Exchange with principal activities in properties, coal mining, bulk handling, commercial television, manufacturing, wholesaling and retailing of pharmaceutical products, essences, food colours, perfumes and aromatic chemicals, fruit juices and reconstitution and extrusion of polyethylene. He was appointed Deputy Chairman of WHSP in 1997, becoming its Chairman in 1998. He is also the Chairman of Brickworks Limited, Choiseul Investments Limited, Keith Harris & Co Limited, Milton Corporation Limited, and Director on the Boards of Australian Pharmaceutical Industries Limited, Bristle Corporation Limited and Soul Pattinson Telecommunication Limited, all of which are companies listed on the Australian Stock Exchange. He is a member of the Institute of Company Directors, New South Wales, Australia and a fellow of the Australian Institute of Directors.

He is a Director of WHSP, which holds 17.44% equity in the Company. He does not have any family relationship with any other director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended three of the four Board Meetings held in the financial year ended 31st December 2002. He has had no convictions for any offences within the past 10 years.

**MOHD RAMLI BIN SAMIAN**  
Non-Executive Director

Mohd Ramli bin Samian, 52, a Malaysian, was appointed as a Non-Executive Director of the Company on 25th February 2000. He is a Chartered Management Accountant from the Chartered Institute of Management Accountants, United Kingdom, since 1975, and subsequently pursued Post-Graduate studies in Advertising Administration from Watford University, UK in 1976. Upon returning to Malaysia in 1976, he joined Bank Pembangunan holding various positions in the Bank and has been the General Manager of the Infrastructure Banking Sector since 1999.

He does not have any family relationship with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2002. He has had no convictions for any offences within the past 10 years.



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## directors' information

Pursuant to paragraph 9.25 and Appendix 9C Part A(3) of the KLSE Listing Requirements

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### LEONG KHAI CHEONG

#### Independent Non-Executive Director

Leong Khai Cheong, 52, a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 18th February 2000. He is also the Chairman of the Audit Committee and member of the Remuneration and Nomination Committees. He is a qualified Certified Accountant, a Fellow of the Association of Chartered Certified Accountants, UK, a Certified Public Accountant, Singapore, as well as a registered member of the Malaysia Institute of Accountants. He holds associate membership of the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators. He was the General Manager – Finance and Control with George Kent (M) Bhd until he joined Singapore listed United Engineers Limited (“UEL”) as its General Manager for Group Finance and Administration from 1988 to 1996. He is currently a director of a private Malaysian company involved in the manufacture and assembly of engineering and other equipment and provision of engineering services for the water industries.

He does not have any family relationship with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2002. He has had no convictions for any offences within the past 10 years.

### MD. ALI BIN MD. DEWAL

#### Senior Independent Non-Executive Director

Md. Ali bin Md. Dewal, 62, a Malaysian, was appointed as an Independent Non-Executive Director of AHB on 29th February 2000. He is also a member of the Audit Committee and the Senior Non-Executive Independent Director. He holds a degree in Master of Business Administration from Tulane University in New Orleans, United States of America. He has wide experience in both industrial and financial sectors, having worked at senior levels in Sime Darby Group Berhad, United Malayan Banking Corporation Berhad and Cahya Mata Sarawak Berhad. He is currently sits on the Boards of Renong Bhd, Perusahaan Otomobil Nasional Berhad, and several private limited companies.

He does not have any family relationship with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2002. He has had no convictions for any offences within the past 10 years.



## directors' information

Pursuant to paragraph 9.25 and Appendix 9C Part A(3) of the KLSE Listing Requirements



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### DR AHMAD KAMAL BIN MD. ALIF Independent Non-Executive Director

Dr Ahmad Kamal bin Md Alif, 56, a Malaysian, was appointed as Independent Non-Executive Director of the Company on 23rd May 2001. He is member of the Audit, Remuneration and Nomination Committees. He graduated with a M.B.B.S. in 1972 from the University of Malaya's Faculty of Medicine and trained as a radiologist at the Royal Free Hospital, London under a Colombo Plan scholarship from 1975 to 1978. He is a Fellow of the Royal College of Radiologists (England) and a member of the Academy of Medicine (Malaysia). He was appointed as Assistant Lecturer, Faculty of Medicine UKM, in 1973, eventually becoming Associate Professor and Head of the Department of Radiology UKM in 1978. He was also the Deputy Dean, Faculty of Medicine, UKM, from 1982 – 1983. He left for private practice in 1984 and is currently practising as a Consultant Radiologist with The Southern Hospital, Melaka, of which he was a founding partner.

He does not have any family relationship with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2002. He has had no convictions for any offences within the past 10 years.

### PETER RAYMOND ROBINSON Alternate Director to Robert Dobson Millner

Peter Raymond Robinson, 50, an Australian, was appointed as an Alternate Director to Mr. Robert Dobson Millner of the Company on 2nd April 2001. He graduated with a Bachelor of Commerce from the University of New South Wales, Australia in 1973. He started his career in the wholesales liquor industry before joining WHSP in 1978 as General Manager of its Wholesale division, later becoming General Manager - Pharmacy, responsible for pharmaceutical wholesaling, manufacturing and retailing. In 1993, he was appointed as the Group General Manager and Chief Executive Officer of WHSP. He is a Chairman of Clover Corporation Limited and Director on the Boards of WHSP, Australian Pharmaceutical Industries Limited, Keith Harris & Co. Limited and Soul Pattinson Telecommunication Limited, all of which are companies listed on the Australian Stock Exchange.

Peter Robinson is a Director of WHSP, which holds 17.44% equity in the Company. He does not have any family relationship with any other director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He did not attend any of the four Board Meetings held in the financial year ended 31st December 2002. He has had no convictions for any offences within the past 10 years.



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## chairman's statement

On behalf of the Board of Directors, I am pleased to present the Group's annual report for the year ended 31<sup>st</sup> December 2002. It is my pleasant duty to report on a successful 2002, which was also the 40<sup>th</sup> anniversary of the founding of the Group.



*For the financial year ended 31<sup>st</sup> December 2002, the Group achieved a record turnover of RM157 million, an increase of 15.2% over the RM137 million recorded in the previous financial year. Profit before tax reached a new high of RM13.1 million, which represents an increase of 19% over the RM11 million achieved in the previous year. After tax profit was RM9.2 million, an increase of 12% over the previous year's result.*

Mr. Kee Tah Peng  
@ Hee Teck Peng  
Chairman



#### DIVIDEND

The Directors are pleased to recommend a final dividend of 5 sen gross per share less 28% tax. An interim dividend of 4 sen tax-exempt was declared and paid on 14<sup>th</sup> October 2002.

#### BONUS ISSUE

I am pleased to report that our application for a 1 for 2 bonus issue and a transfer of our listing to the Main Board of the Kuala Lumpur Stock Exchange has been approved by the relevant authorities. Accordingly, shareholders' approval for the corporate exercise will be sought at an Extraordinary General Meeting immediately following the forthcoming Annual General Meeting scheduled for 21<sup>st</sup> May 2003.

#### SHAREHOLDERS' MANDATE

At the Annual General Meeting held on 22<sup>nd</sup> May 2002, shareholders renewed the shareholders' mandate allowing recurrent related party transactions between the Group and certain related companies, namely Grafton Pharmasia Pte Ltd ("GPPL") and Grafton Laboratories Pte Ltd ("GLPL"). GPPL is a distributor of the Group's pharmaceuticals in Singapore and also a supplier of consumer products to the Group's marketing and division subsidiary, whilst GLPL licenses the Group to manufacture, sell and distribute its long established Agnesia medicated powder. Shareholders will be asked to renew the mandate at the Extraordinary General Meeting in line with corporate governance requirements.

#### INDUSTRY TRENDS

The role of generic medicines in controlling health care costs has long been recognized and their use is growing. There is a perceptible trend towards increasing self-medication by a better educated and health conscious public. Regulatory authorities are playing their part in making more prescription medications available over-the-counter in retail pharmacies. Health care expenditure as a percentage of gross domestic product in Malaysia still lags those in more developed countries but will increase in line with increasing affluence. These trends underpin the Group's long term growth prospects.

#### OPERATIONS UPDATE

##### Retail

New Apex Pharmacy outlets were opened in Tesco hypermarkets in Puchong and Klang, and at Wisma Serbekas in Kuching. In March 2003, a new outlet in Tesco Mutiara Damansara was opened, bringing the total number of retail pharmacies operated by the Group to 23. Effort is continually being directed at securing prime retail locations to establish more Apex Pharmacy outlets throughout the country.

The implementation of the chain's Electronic Point of Sale ("EPOS") system continues to progress. As at the end of 2002, 18 Apex Pharmacy stores had implemented EPOS as compared to half the stores a year previously. This has empowered the company with greater ability to monitor fast changing consumer purchasing patterns in the retail pharmacy market. It is expected that EPOS will be fully implemented in all Apex Pharmacy outlets by the middle of 2003.

##### Wholesale and Distribution

The division now operates a network of nine depots, with a closely integrated information infrastructure. In 2003, it is planned to integrate IT infrastructure more closely with that of principals and customers. New product lines continue to be added to the division's expanding distribution portfolio, including Reckitt & Colman (Overseas) Ltd's Dettol®, Bonjela® and Gaviscon®, which the division distributes to general practitioners and private hospitals in Malaysia.

The division embarked on an exciting new step with the opportune purchase of a 2.5 acre plot of freehold industrial land in Subang Jaya on which a new office and warehouse complex will be built. The new building will be the division's first purpose-built warehouse and will also house the Group's corporate offices in the Klang Valley.

The completion of the new facilities is expected to make a substantial positive contribution by virtue of the increase in space as the current site is already operating at capacity. The new premises will increase efficiency and improve work flow, and is







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## chairman's statement

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expected to prove attractive to manufacturers and principals looking for high quality logistics and distribution facilities.

### Manufacturing

The manufacturing division launched Adezio®, a new-generation antihistamine for rhinitis and allergies, in both tablet and oral suspension form during the year. Ezede® and Covastin® which were released late in 2001, achieved market penetration in 2002 exceeding initial expectations and made an important contribution to the profitability of the group.

A new sales and marketing office was opened in the Klang Valley and initial exports commenced to Tanzania. Newly launched Ezede® and Covastin® were both successfully registered for sale in Singapore. Resources will be directed into growing regional and international demand for the Xepa-Soul brand of generic pharmaceuticals, as we strive to become a global pharmaceutical company.

In February the division was awarded ISO9001:2000 certification for its Quality Management System, a recognition of our unwavering commitment to benchmark ourselves against internationally established quality standards.

### Community

AHB and its subsidiaries fulfil social responsibilities by making donations to deserving charitable causes. Putting back into the community some of its returns is part and parcel of the group's core belief that it must share and help improve the quality of life for all. For example, in 2002, the Company contributed to the Compassion Home for Children in Subang Jaya, which provides shelter and education for abandoned children.

### ACKNOWLEDGEMENTS

Two of the Group's senior figures retired towards the close of 2002 after long and productive careers with the Group.

Warren Tan Yan Meng was the person chiefly responsible for starting up the Group's manufacturing operation, Xepa-Soul Pattinson, and turning it into the

success it is today. He is also a former member of our Board of Directors.

Kee Tuck Chuan headed the Group's East Malaysia operation and ran it ably for many years when it was under Apex Pharmacy (E.M.) Sdn Bhd. With technology now bringing our operations closer together, the Group was last year able to integrate these operations into the divisions along operational lines with resultant synergistic benefits.

Handover of responsibilities to their successors has been smooth and demonstrates the importance the Board attaches to a succession plan in line with principles of good corporate governance. The Board of Directors wishes Warren and Tuck Chuan all the best in their richly-deserved retirement.

I retired as Executive Chairman of the Group on 31<sup>st</sup> December 2002, continuing as Non-Executive Chairman. The last forty years have passed quickly and I am proud of the way that the Apex Healthcare Group has grown and established itself as a leading Malaysian pharmaceutical company.

### FUTURE PROSPECTS

The economic uncertainty prevailing during the previous year is expected to continue at least into the first half of 2003. Sales of the Group in its major markets remain encouragingly robust despite the challenging trading conditions, due in part to strategic introduction of new products as well as aggressive marketing and sales initiatives both domestically and internationally. By continuing with this strategy, we are confident the Group will continue to prosper.

On behalf of my fellow Directors, I would like to thank our all our staff, suppliers, principals, customers and business partners for their loyalty and support and look forward to another mutually beneficial year of growth together.

Yours sincerely

**KEE TAH PENG**  
Chairman



The Board of Directors confirms that aside from any exceptions noted below, the Group has complied with the Best Practices in the Code of Corporate Governance during the year under review.

## NARRATIVE STATEMENT ON APPLICATION OF THE PRINCIPLES

The Company has applied the principles set out in Part 1 of the Code on Corporate Governance as follows:

### THE BOARD

#### 1. The Board

The Board leads and controls the Company, as it is the highest decision making organ in the Company. The Board's role is to represent and promote the legitimate interests of shareholders and it is accountable to shareholders for the performance and activities of the Group. The Board has set clear Corporate Objectives for senior management and has formalised a Schedule of Matters reserved to the Board's decision.

The Board normally meets four times a year. The Board delegates certain functions to sub-committees, the roles and activities of which are detailed elsewhere in the Group's Annual Report.

#### 2. Board Balance

The Board consists of nine Directors, of whom one-third are independent non-executive Directors as defined by the Listing Requirements of the Kuala Lumpur Stock Exchange. Three are executive Directors and the remainder are non-executive directors, ensuring that interests of shareholders, including minority shareholders, are fairly represented.

The position of Executive Chairman was replaced by that of Non-Executive Chairman on 1 January 2003. This is intended to achieve division of responsibilities in accordance with best practices in corporate governance.

#### 3. Supply of Information

Directors are supplied with Board Papers a reasonable time prior to a Board meeting in order that they may request further clarifications where necessary, and to ensure that they are properly briefed in advance. The Board also has access to all relevant internal documents of the Group.

#### 4. Appointments to the Board

The Board established a Nomination Committee on 23rd May 2001. Details of the functions and activities of the Nomination Committee are found on page 31.

#### 5. Re-election

The procedure for rotational re-election of directors is set out in the Articles of Association of the Company, in particular Article 89.

### DIRECTORS' REMUNERATION

#### 6. The Level and Make-Up of Remuneration

The Board has established a Remuneration Committee, details of which are set out on page 29. The Remuneration Committee is an essential part of the process by which the company attracts and retains the directors needed to run the





company successfully. The Committee makes recommendations on remuneration based on its review of the performance of the Company and Group, and comparisons with remuneration practices in public companies.

**7. Procedure**

The company has established a procedure for determining the remuneration of directors, which is incorporated in the Terms of Reference of the Remuneration Committee as laid out on page 29.

**8. Disclosure**

The remuneration of each director is set out in the Remuneration Committee Report in earning bands on page 30. The details of the remuneration of individual directors are not disclosed as it is deemed to be private and confidential.

## SHAREHOLDERS

**9. Dialogue between the Company and Investors**

The Group utilises a number of conventional channels to communicate to existing and potential investors. These include the Annual Report and Financial Statements, and quarterly and occasional announcements and the Annual General Meeting. The Group Managing Director meets with shareholders and investment analysts from time to time to explain the group's strategy, performance and major developments and to receive feedback.

En Md Ali Bin Md Dewal has been appointed Senior Independent Non-Executive Director to whom concerns of shareholders may be addressed via the Company Secretaries.

**10. The Annual General Meeting**

The Board values interaction with individual shareholders at General Meetings and encourages shareholder participation. Executive Directors and the Chairmen of the Audit, Nomination and Remuneration Committees are present to respond to shareholders' questions during the Meetings.

## ACCOUNTABILITY AND AUDIT

**11. Financial Reporting**

Care is taken that the Annual Report, quarterly announcements and any other financial disclosure to shareholders present a balanced view of the company's position and prospects while complying with all applicable regulations and accounting standards.

**12. Internal Control**

The Directors take responsibility for the Group's system of internal controls, which is designed to identify and manage the risks facing the Group in pursuit of its business objectives. The system of internal control covers risk management and financial, organisational, operational and compliance controls so as to safeguard shareholders' interests and the Group's assets. This system is meant to provide reasonable, but not absolute, assurance against misstatement or loss within the practical constraints of operating a going concern. The Board has instituted an Internal Audit function; this is further described in the Audit Committee Report on page 24.

The Statement on Internal Controls is set out on page 22.

### 13. Relationship with the Auditors

The Group's auditors during the year under review were PricewaterhouseCoopers. The Group has a formal arrangement to maintain an appropriate relationship with the Auditors which is subject to the review of the Audit Committee. The Terms of Reference of the Audit Committee are found on page 24. The Auditors are appointed annually at the Annual General Meeting by shareholders.

#### STATEMENT ON THE EXTENT OF COMPLIANCE WITH BEST PRACTICES

The Board is of the opinion that the Group has addressed and is in compliance with the Best Practices recommended in Part 2 of the Code on Corporate Governance. The opportunity is taken to elaborate certain points as follows:

- The Group has had a policy of welcoming contacts with investors and shareholders since its listing in June 2000. There is no formal investor relations programme or shareholder communications policy. Meetings with groups of professionals from the investment industry are by their request although management has the option of calling for such meetings. So far it is the opinion of management that this arrangement has been satisfactory to all parties. [Code on Corporate Governance Parts 2AA1 and CC 1]
- The replacement of the post of Executive Chairman with the post of Non-Executive Chairman took place on 1 January 2003. [Part 2AA II]
- The Nomination Committee annually reviews the contributions of the Board, its sub-committees, and individual directors. The committee has strengthened this procedure by reviewing best practices of other companies and adopting those which are appropriate. [Part 2AA X]
- Since the previous statement, the Company has instituted a procedure for the orientation of newly appointed directors. [Part 2 AA XIII]
- Considering the size and composition of the Board, it is unavoidable that there should be some overlap between the membership of the various Board sub-committees. The Board is of the opinion that the independence of the sub-committees' decision-making processes is not compromised thereby.

#### ADDITIONAL INFORMATION

##### 1. Non-Audit Fees

The amount of non-audit fees paid and payable to the external auditors, PricewaterhouseCoopers, by the Group for the financial year ended 31 December 2002 amounted to RM 61,580.

##### 2. Material Contracts

Saved as disclosed in the Circular on the Proposed Renewal of the Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, there are no material contracts of Apex Healthcare Berhad and its subsidiaries involving any of its directors and major shareholders.

##### 3. Recurrent Related Party Transactions

At the Annual General Meeting held on 22nd May 2002, shareholders of Apex Healthcare Berhad voted in favour of the mandate allowing defined recurrent related party transactions of a revenue or trading nature between the Group and related companies.



The aggregate value of transactions conducted pursuant to the shareholders' mandate during financial year 2002 is as detailed below-

| With:   | RM        |
|---|-----------|
| <b>Grafton Pharmasia Pte Ltd</b><br><i>Pursuant to the Distributorship Agreements</i>                                     |           |
| Sale of pharmaceuticals and consumer healthcare products for marketing and distribution in Singapore                      | 5,738,770 |
| Purchase of consumer healthcare products for marketing and distribution in Malaysia                                       | 2,364,147 |
| <b>Grafton Laboratories Pte Ltd</b><br><i>Pursuant to the Licence Agreement</i>   |           |
| Royalties for the licence to manufacture, market and distribute medicated powder products under the brand name 'Agnesia'. | 219,195   |

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 Apex Healthcare Berhad.

Shareholders' approval will be sought at an Extraordinary General Meeting immediately following the forthcoming Annual General Meeting to renew this mandate.

#### 4. Sanctions

During the financial year, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

#### 5. Directors' Responsibility for Preparing The Financial Statements

The Directors are required by the Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cashflows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable accounting standards have been followed; and
- Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.



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## statement on internal controls

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### INTRODUCTION

Pursuant to paragraph 15.27(b) of the KLSE Stock Exchange ("KLSE") Listing Requirements, the Board of Directors of Apex Healthcare Berhad is pleased to provide the following statement on the state of internal control of the Group for the financial year ended 31 December 2002, which has been prepared in accordance with the "Statement of Internal Control – Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by the KLSE.

### INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound system of internal control, and for reviewing its adequacy and integrity. However, the Board recognises that reviewing of the Group's systems of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Group's system of internal controls comprises the following key elements:

- **Control Procedures**  
Operating Procedures Manuals that set out the policies, procedures and practices to be adopted by all companies in the Group, to ensure clear accountabilities and control procedures are in place for all business units.
- **Organisational structure and responsibility levels**  
The Group has a well defined organisational structure with clear lines of accountability and which has a documented delegation of authority which sets out the decisions that need to be taken and the appropriate authority levels of Management including matters that require Board approval.
- **Reporting and review**  
The Group's management teams carry out monthly monitoring and review of financial results and forecasts for all businesses within the Group, including monitoring and reporting thereon, of performance against the operating plans and annual budgets. The Group's management teams communicate regularly to monitor operational and financial performance as well as formulate action plans to address any areas of concern.
- **Quality control**  
The Group emphasises continuous effort in maintaining the quality of manufacturing processes of its pharmaceutical plant.
- **Succession planning**  
Succession planning for the management staff of the Group is in place and will be reviewed periodically. This is to ensure that business operations and performance will not be adversely affected by departure of key personnel.



- **Internal audit**

Regular internal audits are carried out by an independent professional services firm to review adequacy and integrity of the internal control systems of the business units. The internal audit team advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The reports are submitted to the Audit Committee, which reviews the findings with management at its quarterly meetings. In addition, the External Auditors' management letter points and management's responsiveness to the control recommendations on deficiencies noted during financial audits provide added assurance that certain control procedures on matters of finance are in place, and being followed. The Audit Committee assesses the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group, and reports to the Board of Directors its activities, significant results, findings together with necessary recommendations or changes.

- **Risk Management**

The Group has at the end of the financial year ended 31 December 2001, carried out risk assessment and identified the principal risks faced by the Group. The principal risks identification process involved risk identification, prioritisation and formulation of action plans to enhance the internal controls system and better manage the critical risks. The main objective for the principal risk identification is to achieve a better management of the risks and controls through formulation of action plans to be implemented and championed by identified members of the management. Significant risks are continuously identified assessed and managed with the facilitation of the Internal Audit function and instituted controls are appropriate and effectively applied by the Management to achieve acceptable exposures consistent with the Group's risk management system.

The nature of risks means that events may occur which would give rise to unanticipated or unavoidable losses. The Group's system of internal controls is designed to provide reasonable but not absolute assurance against the risk of material errors, fraud or losses from occurring. It is possible that internal control may be circumvented or overridden. Furthermore, because of changing circumstances and conditions, the effectiveness of an internal control system may vary over time. The rationale of the system of internal controls is to enable the Group to achieve its corporate objectives within an acceptable risk profile and cannot be expected to eliminate all risks.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2002. The Group continues to take the necessary measures to strengthen its internal controls.



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## report of the audit committee

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The Audit Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31<sup>st</sup> December 2002.

### COMPOSITION OF AUDIT COMMITTEE AND ATTENDANCE RECORD

The Audit Committee consists of 4 members, the majority of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is also an Independent Non-Executive Director and a member of the Malaysian Institute of Accountants. No Alternate Director is appointed as a member and the attendance record of the Audit Committee is tabulated as follows:

| DIRECTOR                   | POSITION   | ATTENDANCE OF AUDIT COMMITTEE MEETING IN 2002 |     |     |     | TOTAL |
|----------------------------|--|---|-----|-----|-----|-------|
|                            |  | Feb   | May | Aug | Nov |       |
| Leong Khai Cheong          | Independent Non-Executive Director and Chairman of Audit Committee | •   |     | •   | •   | 3     |
| Ki Tak Sang @Kee Tak Sang  | Executive Director   | •   | •   | •   | •   | 4     |
| Md Ali bin Md Dewal        | Senior Independent Non-Executive Director                          | •   | •   | •   | •   | 4     |
| Dr Ahmad Kamal bin Md Alif | Independent Non-Executive Director                                 | •   | •   | •   | •   | 4     |

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### 1. Constitution

The Board has established a Committee of the Board to be known as the Audit Committee (hereinafter known as the "AC") with authority and duties as specified in these terms of reference.

#### 2. Membership of the Committee

2.1 The AC shall be appointed by the Board from amongst the directors of the Company and shall consist of at least 3 members, a majority of whom shall be independent non-executive directors. A quorum requires the majority of members present to be independent non-executive directors.

2.2 At least one member of the AC must be a member of the Malaysian Institute of Accountants. If there is none, one member must either have at least 3 years' working experience and (a) have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act, 1967, or (b) be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or have the following qualifications:-

- (a) a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or





- (b) at least 7 years' experience being a chief financial officer of a corporation or having a function of being primarily responsible for the management of the financial affairs of a corporation.

- 2.3 No alternate director shall be appointed as a member of the AC.
- 2.4 The Board of directors shall review the composition, term of office and performance of the AC and its members at least once every 3 years to determine whether the AC and its members have carried out their duties in accordance with its terms of reference.
- 2.5 The members of the AC shall elect a Chairman from among their number who shall be an independent non-executive director.
- 2.6 If a member of the AC resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.
- 2.7 The Company Secretary shall be the Secretary of the AC.

### 3. Rights of the Audit Committee

- 3.1 The AC shall, wherever necessary and reasonable for the performance of its duties, in accordance with procedures stipulated by the Board of Directors and at the cost of the Company:
  - 3.1.1 have authority to investigate any matter within its terms of reference;
  - 3.1.2 have the resources that are required to perform its duties;
  - 3.1.3 have full and unrestricted access to any information pertaining to the Company;
  - 3.1.4 have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
  - 3.1.5 be able to obtain independent professional or other advice and to invite outsiders to attend AC meetings where necessary; and
  - 3.1.6 be able to convene meetings with the external auditors, excluding the attendance of the executive members of the AC, at least once a year and whenever deemed necessary.
- 3.2 The AC shall take into cognizance in its deliberations the Listing Requirements of the Kuala Lumpur Stock Exchange and the Code of Corporate Governance, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.
- 3.3 Where the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Kuala Lumpur Stock Exchange, the AC shall report such matter to the Exchange.



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## report of the audit committee

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### 4. Duties and Functions of the Audit Committee

- 4.1 The AC shall review the following and report the same to the Board of Directors:-
- 4.1.1 with the external auditors, the nature and scope of the audit before commencement;
  - 4.1.2 with the external auditors, their evaluation of the system of internal controls;
  - 4.1.3 with the external auditor, the audit reports, management letters and management response;
  - 4.1.4 the assistance given by the Company's employees and officers to the external auditor;
  - 4.1.5 the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - 4.1.6 the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - 4.1.7 the quarterly results and year end financial statements, prior to approval by the Board of directors, focusing particularly on:-
    - changes in or the implementation of major accounting policy changes;
    - the going concern assumption;
    - significant adjustments arising out of audit and unusual events; and
    - compliance with accounting standards and other legal requirements;
  - 4.1.8 any related party transaction and conflict of interest situation that may arise within the listed issuer or group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - 4.1.9 any letter of resignation from the external auditors
  - 4.1.10 whether there is reason (supported by grounds) to believe that the external auditors is not suitable for re-appointment; and
- 4.2 The AC shall review any matters concerning the appointment and dismissal of the both the internal and external auditors, their audit fees and render its recommendations accordingly to the Board of Directors.
- 4.3 The AC shall consider the major findings of internal investigations and management's response.
- 4.4 The internal auditor's primary line of reporting shall be to the Chairman of the AC and functionally and administratively to the Managing Director.
- 4.5 Any other duties as may be assigned by the Board of Directors from time to time.



## 5. Attendance at Meetings

- 5.1 The Managing Director, Financial Controller, the head of internal audit and a representative of the external auditors shall normally attend meetings.
- 5.2 Other Board members and employees may also attend AC meetings only at the AC's invitation, specific to the relevant meeting.

## 6. Procedure of Audit Committee

- 6.1 The AC shall regulate its own procedure, in particular:
  - the calling of meetings;
  - the notice to be given of such meetings;
  - the voting and proceedings of such meetings;
  - the keeping of minutes; and
  - the custody, production and inspection of such minutes.
- 6.2 The AC shall meet at least 4 times a year. The external auditors may request a meeting if they consider that one is necessary.
- 6.3 The Secretary shall circulate the minutes of meetings of the AC to all members of the Board of Directors.
- 6.4 The AC shall prepare an annual report to the Board that provides a summary of the activities of the AC for inclusion in the Company's Annual Report.

### ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31<sup>st</sup> December 2002, the Audit Committee in the discharge of its duties and functions carried out the following activities:

- Met with the Internal Auditors, Messrs Deloitte and Touche Management Solutions Sdn Bhd, to review internal audit reports;
- Met with the External Auditors, Messrs Pricewaterhouse Coopers, to review the statement of Internal Controls pending inclusion in the Annual Report;
- Reviewed the Report on Recurrent Related Party Transactions of the Group prepared by the Internal Auditors;
- Reviewed drafts of quarterly announcements prior to approval for release to the Kuala Lumpur Stock Exchange by the Board of Directors;
- Reviewed new Malaysian Accounting Standards Board ("MASB") standards and their implementation into the accounting structure of the Company and Group. MASB 17 to 24 came into effect during the financial year under review;
- Reviewed the Audit Plans for the Company and the Group with the External Auditors;
- Reviewed quotations and proposals from Accounting Firms for External Auditors, whereupon Messrs PricewaterhouseCoopers was recommended for reappointment as External Auditors for financial year 2002.



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### INTERNAL AUDIT FUNCTION

The Group has outsourced its Internal Audit function to Deloitte & Touche Management Solutions Sdn Bhd.

In line with the Terms of Reference of the Audit Committee, the Internal Auditors report directly to the Chairman of the Audit Committee and functionally and administratively to the Managing Director.

The activities of the Internal Auditors in financial year ended 31<sup>st</sup> December 2002 were as follows:

- Attended and reported to the Audit Committee at all Audit Committee meetings held in Financial Year 2002;
- Reviewed and reported to the Audit Committee and Board on Recurrent Related Party Transactions on an ongoing basis;
- Developed and proposed an Internal Audit Plan for the year which was discussed and accepted by the Audit Committee and Board;
- Reviewed distribution and logistics operations as well as accounting and financial decision support systems at selected warehouses of Apex Pharmacy Marketing Sdn Bhd;
- Reviewed accounting and financial decision support systems and merchandising procedures in selected retail branches of Apex Pharmacy Sdn Bhd;
- Reviewed distribution and logistics operations as well as credit control, accounting and financial decision support systems at Xepa-Soul Pattinson (M) Sdn Bhd;
- Followed up on areas previously identified as control weaknesses.

## report of the remuneration committee



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The Remuneration Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31<sup>st</sup> December 2002.

### COMPOSITION OF REMUNERATION COMMITTEE AND ATTENDANCE RECORD

The RC consists of 3 members, the majority of whom are Independent Non-Executive Directors. The committee was established on 23<sup>rd</sup> May 2001. During the year under review, meetings were held on 20<sup>th</sup> February 2002, 22<sup>nd</sup> May 2002 and 18<sup>th</sup> November 2002, at which all members were present.

| DIRECTOR                        | POSITION   | ATTENDANCE OF<br>REMUNERATION<br>COMMITTEE MEETINGS<br>IN 2002 |     |     | TOTAL |
|---------------------------------|--|--|-----|-----|-------|
|                                 |  | Feb  | May | Nov |       |
| Jackson Chevalier Yap-Kit-Siong | Non-Executive Director & Chairman of Remuneration Committee        | •  | •   | •   | 3     |
| Leong Khai Cheong               | Independent Non-Executive Director and Chairman of Audit Committee | •  | •   | •   | 3     |
| Dr Ahmad Kamal bin Md Alif      | Independent Non-Executive Director                                 | •  | •   | •   | 3     |

### TERMS OF REFERENCE OF REMUNERATION COMMITTEE

#### 1. Constitution

The Board has established a Committee of the Board to be known as the Remuneration Committee (hereinafter referred to as the "RC") with authority and duties as specified in these Terms of Reference.

#### 2. Membership

2.1 The RC shall be appointed by the Board from amongst the directors of the Company and shall consist wholly or mainly of non-executive directors. A quorum shall be any 2 members.

2.2 The members of the RC shall elect a Chairman from among their members.

2.3 The Company Secretary shall be the Secretary of the RC.

#### 3. Guiding Principles

3.1 The levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully. The component parts of remuneration should be structured so as to link rewards to corporate and individual performance, in the case of executive directors.



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## report of the remuneration committee

- 3.2 There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.
- 3.3 The Committee shall take into cognizance in its deliberations the Listing Requirements of the Kuala Lumpur Stock Exchange and the Code of Corporate Governance, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.

### 4 Duties and Functions of the Committee

The RC is authorized by the Board to:

- 4.1 Review and determine, at least once annually, adjustments to the remuneration package, including benefits in kind, of each Executive Director, taking into account the performance of the individual, the inflation price index, and where necessary, information from independent sources on remuneration packages for equivalent jobs in the industry.
- 4.2 Review and determine the quantum of performance related bonuses, benefits-in-kind and Employee Share Options, if available, to be given to the Executive Directors.
- 4.3 Consider and execute the renewal of the service contracts of Executive Directors as and when due, as well as the service contracts and remuneration package for newly appointed Executive Director(s) prior to their appointment.
- 4.4 Execute any other duties as may be assigned by the Board of Directors from time to time.

### ACTIVITIES OF THE REMUNERATION COMMITTEE

During the year the Remuneration Committee in discharge of its duties carried out the following activities:

- Reviewed the salary adjustments, performance bonuses and benefits-in-kind of the Executive Directors;
- Deliberated and decided on the level of fees to be paid to directors after comparisons with market practices and subject to ratification by the shareholders in a General Meeting;
- Reviewed the terms of Kee Tah Peng's retirement as Executive Chairman and reappointment as non-executive chairman;
- Decided on the grants of options under the Company's Employee Share Option Scheme ("ESOS") to be made to Executive Directors who are members of the Option Committee, so as to avoid conflicts of interest.

### DIRECTORS' REMUNERATION

The remuneration of the Directors is presented in bands of RM 50,000 in the table below:

| REMUNERATION BAND   | NON-EXECUTIVE DIRECTORS | EXECUTIVE DIRECTORS |
|---------------------|-------------------------|---------------------|
| Below RM50,000      | 6                       | -                   |
| RM400,001-RM450,000 | -                       | 1                   |
| RM550,001-RM600,000 | -                       | 1                   |
| RM600,001-RM650,000 | -                       | 1                   |



The Nomination Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31<sup>st</sup> December 2002.

## COMPOSITION OF NOMINATION COMMITTEE AND ATTENDANCE RECORD

The Nomination Committee consists of 3 members, the majority of whom are Independent Non-Executive Directors. The committee was established on 23<sup>rd</sup> May 2001. All members were present for its meeting held on 20<sup>th</sup> February 2002.

| DIRECTOR                        | POSITION   |
|---------------------------------|--|
| Jackson Chevalier Yap-Kit-Siong | Non-Executive Director & Chairman of Nomination Committee            |
| Leong Khai Cheong               | Independent Non-Executive Director & Chairman of the Audit Committee |
| Dr. Ahmad Kamal bin Md Alif     | Independent Non-Executive Director                                   |

## TERMS OF REFERENCE OF NOMINATION COMMITTEE

### 1. Constitution

The Board has established a Committee of the Board to be known as the Nomination Committee (hereinafter referred to as the "NC") with authority and duties as specified in these Terms of Reference.

### 2. Membership

- 2.1 The NC shall be appointed by the Board from amongst the directors of the Company and shall comprise exclusively of non-executive directors, the majority of whom shall be independent. A quorum shall be any 2 members.
- 2.2 The members of the NC shall elect a Chairman from among their members.
- 2.3 The Company Secretary shall be the Secretary of the NC.

### 3. Principle

- 3.1 The ultimate decision on the appointment of directors to the Board is the responsibility of the Board of Directors after due consideration of the recommendations of the NC.
- 3.2 The NC shall take into cognizance in its deliberations the Listing Requirements of the Kuala Lumpur Stock Exchange and the Code of Corporate Governance, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.

### 4. Duties and Functions of the Committee

The NC shall:

- 4.1 Assess and recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board.



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## report of the nomination committee

- 4.2 Consider in making its recommendations, candidates for directorship proposed by the Managing Director and, within the bounds of practicality, by any other senior executive, director or shareholder.
- 4.3 Assess the effectiveness of the board as a whole, the committees of the Board, individual directors as well as the Company Secretaries through a process to be implemented by the Board.
- 4.4 Recommend to the Board directors to fill the seats on other board committees.
- 4.5 Review annually the Board's required mix of skills and experience and other qualities, including core competencies which non-executive directors bring to the Board.
- 4.6 Consider and recommend the Directors for re-election at each Annual General Meeting.
- 4.7 Undertake any other duties as may be assigned by the Board of Directors from time to time.

### ACTIVITIES OF THE NOMINATION COMMITTEE

The Committee met to assess the size, composition and effectiveness of Board and sub-committee, performance of the Company Secretaries, attendance and contributions of individual directors. The Committee further determined which directors would stand for re-election at the 2002 Annual General Meeting of shareholders and deliberated over succession plans prepared in accordance with principles of sound corporate governance.

### ATTENDANCE RECORD AT BOARD MEETINGS

| DIRECTOR                        | POSITION  | ATTENDANCE OF BOARD MEETINGS IN 2002 |     |     |     | TOTAL |
|---------------------------------|---|--------------------------------------|-----|-----|-----|-------|
|                                 |   | Feb                                  | May | Aug | Nov |       |
| Kee Tah Peng @ Hee Teck Peng    | Non-Executive Chairman#   | •                                    | •   | •   | •   | 4     |
| Dr. Kee Kirk Chin               | Managing Director   | •                                    | •   | •   | •   | 4     |
| Ki Tak Sang @ Kee Tak Sang      | Executive Director  | •                                    | •   | •   | •   | 4     |
| Robert Dobson Millner           | Non-Executive Director  | •                                    | •   | •   |     | 3     |
| Jackson Chevalier Yap-Kit-Siong | Non-Executive Director<br>Chairman of Remuneration and<br>Nomination Committees | •                                    | •   |     | •   | 3     |
| Md Ramli bin Samian             | Non-Executive Director  | •                                    | •   | •   | •   | 4     |
| Leong Khai Cheong               | Non-Executive Independent Director,<br>Chairman of AC                           | •                                    | •   | •   | •   | 4     |
| Md Ali bin Md Dewal             | Senior Non-Executive<br>Independent Director                                    | •                                    | •   | •   | •   | 4     |
| Dr Ahmad Kamal bin Md Alif      | Non-Executive Independent Director  | •                                    | •   | •   | •   | 4     |

# Retired as Executive Chairman on 31<sup>st</sup> December 2002 and reappointed as Non-Executive Chairman on 1<sup>st</sup> January 2003



The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

#### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the Group consist of the manufacturing, distribution and retailing of pharmaceutical products. There was no significant change in these activities during the financial year.

#### FINANCIAL RESULTS

|   | GROUP     | COMPANY    |
|---|-----------|------------|
|   | RM        | RM         |
| Profit after taxation and net profit for the financial year | 9,268,348 | 17,313,637 |

#### DIVIDENDS

The dividends declared or paid by the Company since the end of the previous financial year were as follows:

RM

In respect of the financial year ended 31 December 2001, as shown in the Directors' report of that year:

|  |           |
|--|-----------|
| Final tax exempt dividend of 4 sen per share, paid on 28 June 2002 | 1,740,680 |
|--|-----------|

In respect of the financial year ended 31 December 2002:

|   |           |
|---|-----------|
| Interim tax exempt dividend of 4 sen per share, paid on 14 October 2002 | 1,741,840 |
|---|-----------|

In respect of the financial year ended 31 December 2002, the Directors propose the payment of a final dividend of 5 sen gross per share less income tax at 28% which is subject to approval of members at the forthcoming Annual General Meeting of the Company.

#### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

#### EMPLOYEE SHARE OPTION SCHEME

The Company implemented an Employee Share Option Scheme ("ESOS") on 8 October 2001. The ESOS is governed by the Bye-Laws which were approved by the shareholders on 16 August 2001.

The main features of the ESOS are as follows:

- The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary shares of the Company
- An employee (including Executive Directors) of the Group shall be eligible to participate in the Scheme if, as at the offer date, the employee :-
  - (i) has attained the age of eighteen (18) years;
  - (ii) is employed full-time by and is on the payroll with at least one year of service of a company within the Group (other than a company which is dormant); and
  - (iii) is an Executive Director of the Company whose allocation of Options has been approved by the Shareholders of the Company in a general meeting.
- The option price under the ESOS is the weighted average market price of the shares of the Company as quoted in the official list issued by the Kuala Lumpur Stock Exchange for the five market days preceding the offer date with an allowance for a discount of not more than 10% therefrom at the Option Committee's discretion, or the par value of the shares of the Company of RM1, whichever is the higher
- The options granted may be exercised at any time before the expiry of the ESOS on 8 October 2006
- The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company

The movements during the financial year in the number of options over the shares of the Company are as follows:

|                     |           |
|---------------------|-----------|
| At 1 January 2002   | 3,779,000 |
| Granted             | 284,000   |
| Lapsed              | (129,000) |
| Exercised           | (157,000) |
| At 31 December 2002 | 3,777,000 |

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings.



## DIRECTORS

The Directors who have held office during the period since the date of the last report are:

Kee Tah Peng @ Hee Teck Peng  
Dr. Kee Kirk Chin  
Ki Tak Sang @ Kee Tak Sang  
Jackson Chevalier Yap-Kit-Siong  
Leong Khai Cheong  
Robert Dobson Millner  
Mohd Ramli bin Samian  
Md. Ali bin Md. Dewal  
Dr. Ahmad Kamal bin Md. Alif  
Peter Raymond Robinson (alternate to Robert Dobson Millner)

Kee Tah Peng @ Hee Teck Peng retires pursuant to Section 129(2) of the Companies Act, 1965 and seeks re-election as director under Section 129(6) of the Act to hold office until the next Annual General Meeting of the Company.

In accordance with Article 89 of the Company's Articles of Association, Ki Tak Sang @ Kee Tak Sang, Jackson Chevalier Yap-Kit-Siong and Robert Dobson Millner retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than share options granted to executive directors under the Company's Employee Share Option Scheme.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as directors' remuneration in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 30 to the financial statements.



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## directors' report (continued)

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## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and options over shares in the Company were as follows:

| NUMBER OF ORDINARY SHARES OF RM1 EACH |                |        |        |                  |
|---------------------------------------|----------------|--------|--------|------------------|
|                                       | At<br>1.1.2002 | Bought | Sold   | At<br>31.12.2002 |
| <b>Direct interests</b>               |                |        |        |                  |
| Kee Tah Peng @ Hee Teck Peng          | 10,000         | 46,000 | -      | 56,000           |
| Dr Kee Kirk Chin                      | 225,000        | -      | 15,000 | 210,000          |
| Ki Tak Sang @ Kee Tak Sang            | 110,000        | -      | -      | 110,000          |
| Jackson Chevalier Yap-Kit-Siong       | 10,000         | -      | -      | 10,000           |
| Leong Khai Cheong                     | 10,000         | -      | -      | 10,000           |
| Robert Dobson Millner                 | 10,000         | -      | -      | 10,000           |
| Mohd Ramli bin Samian                 | 10,000         | -      | -      | 10,000           |
| Md. Ali bin Md. Dewal                 | 428,739        | -      | -      | 428,739          |
| Dr. Ahmad Kamal bin Md. Alif          | 140,000        | -      | -      | 140,000          |
| Peter Raymond Robinson                | 10,000         | -      | -      | 10,000           |
| <b>Indirect interests</b>             |                |        |        |                  |
| Kee Tah Peng @ Hee Teck Peng          | 17,380,604     | 20,000 | -      | 17,400,604       |
| Dr. Kee Kirk Chin                     | 17,380,604     | 20,000 | -      | 17,400,604       |

| NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM1 EACH |                |         |           |                  |
|--|----------------|---------|-----------|------------------|
|  | At<br>1.1.2002 | Granted | Exercised | At<br>31.12.2002 |
| Kee Tah Peng @ Hee Teck Peng                       | 230,000        | -       | 46,000    | 184,000          |
| Dr. Kee Kirk Chin                                  | 230,000        | -       | -         | 230,000          |
| Ki Tak Sang @ Kee Tak Sang                         | 150,000        | -       | -         | 150,000          |

No Directors in office at the end of the financial year held any interest in shares and debentures of related corporations.





#### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

- (a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.



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## directors' report (continued)

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### AUDITORS

The auditors, PricewaterhouseCoopers, will not be seeking re-election at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors in accordance with a resolution dated 19<sup>th</sup> March 2003.

**KEE TAH PENG @ HEE TECK PENG**  
DIRECTOR

**DR. KEE KIRK CHIN**  
DIRECTOR

Melaka  
19<sup>th</sup> March 2003

## statement by directors

pursuant to Section 169(15) of the Companies Act, 1965



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We, Kee Tah Peng @ Hee Teck Peng and Dr. Kee Kirk Chin, two of the Directors of Apex Healthcare Bhd., state that in the opinion of the Directors, the financial statements set out on pages 41 to 72 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2002 and of the results and cash flows of the Group and of the Company for the financial year ended 31 December 2002 in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with a resolution dated 19<sup>th</sup> March 2003.

**KEE TAH PENG @ HEE TECK PENG**  
DIRECTOR

**DR. KEE KIRK CHIN**  
DIRECTOR

Melaka  
19<sup>th</sup> March 2003

## statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Ki Tak Sang @ Kee Tak Sang, the Director primarily responsible for the financial management of Apex Healthcare Bhd., do solemnly and sincerely declare that the financial statements set out on pages 41 to 72 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**KI TAK SANG @ KEE TAK SANG**

Subscribed and solemnly declared by the abovenamed Ki Tak Sang @ Kee Tak Sang at Melaka in Malaysia on 19<sup>th</sup> March 2003, before me.

**COMMISSIONER FOR OATHS**

## report of the auditors

to the members of Apex Healthcare Bhd. (473108-T)

We have audited the financial statements set out on pages 41 to 72. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December 2002 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The name of the subsidiary of which we have not acted as auditors is indicated in Note 13 to the financial statements. We have considered the financial statements of this subsidiary and the auditors' report thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any adverse comment made under subsection (3) of section 174 of the Act.

**PRICEWATERHOUSECOOPERS**

(No. AF-1146)

Chartered Accountants

**YEE WAI YIN**

(No. 2081/08/04(J))

Partner of the firm

Melaka

19<sup>th</sup> March 2003

## income statements

for the financial year ended 31 December 2002



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|  |      | GROUP         |               | COMPANY     |            |
|--|------|---------------|---------------|-------------|------------|
|  | Note | 2002<br>RM    | 2001<br>RM    | 2002<br>RM  | 2001<br>RM |
| Revenue  | 5    | 157,499,328   | 136,611,406   | 23,285,806  | 7,011,107  |
| Cost of sales/services   |      | (115,205,108) | (100,169,700) | (885,242)   | (735,744)  |
| Gross profit   |      | 42,294,220    | 36,441,706    | 22,400,564  | 6,275,363  |
| Other operating income   |      | 450,885       | 973,374       | 500,229     | 423,397    |
| Selling and distribution costs                                 |      | (21,413,697)  | (18,621,144)  | (7,476)     | (12,619)   |
| Administrative expenses  |      | (7,745,238)   | (7,161,055)   | (386,255)   | (242,423)  |
| Other operating expenses                                       |      | (337,293)     | (369,549)     | (39,720)    | (26,278)   |
| Profit from operations   | 6    | 13,248,877    | 11,263,332    | 22,467,342  | 6,417,440  |
| Finance cost   | 7    | (105,416)     | (174,189)     | -           | -          |
| Profit before taxation   |      | 13,143,461    | 11,089,143    | 22,467,342  | 6,417,440  |
| Taxation   | 8    | (3,875,113)   | (2,821,757)   | (5,153,705) | (882,000)  |
| Profit after taxation and net<br>profit for the financial year |      | 9,268,348     | 8,267,386     | 17,313,637  | 5,535,440  |
| Earnings per share (sen)                                       |      |               |               |             |            |
| - basic  | 9    | 21.3          | 19.0          |             |            |
| - diluted  | 9    | 20.9          | 19.0          |             |            |
| Dividends per share (sen)                                      | 11   | 9.0           | 7.0           |             |            |

The notes on pages 46 to 72 form part of these financial statements.



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## balance sheets

as at 31 December 2002

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|                                      |      | GROUP      |            | COMPANY    |            |
|--------------------------------------|------|------------|------------|------------|------------|
|                                      | Note | 2002<br>RM | 2001<br>RM | 2002<br>RM | 2001<br>RM |
| <b>Non current assets</b>            |      |            |            |            |            |
| Property, plant and equipment        | 12   | 31,553,934 | 31,987,981 | 25,302     | 30,680     |
| Subsidiaries                         | 13   | -          | -          | 33,856,367 | 40,404,874 |
|                                      |      | 31,553,934 | 31,987,981 | 33,881,669 | 40,435,554 |
| <b>Current assets</b>                |      |            |            |            |            |
| Inventories                          | 14   | 28,091,378 | 26,978,360 | -          | -          |
| Trade and other receivables          | 15   | 35,512,263 | 28,601,202 | 31,879,654 | 14,606,466 |
| Tax recoverable                      |      | 128,782    | 66,513     | 34,652     | -          |
| Deposits with licensed banks         |      | 3,327,864  | 3,902,813  | 1,650,000  | 1,250,000  |
| Cash and bank balances               |      | 8,847,943  | 2,709,837  | 3,408,148  | 218,153    |
|                                      |      | 75,908,230 | 62,258,725 | 36,972,454 | 16,074,619 |
| <b>Less: Current liabilities</b>     |      |            |            |            |            |
| Trade and other payables             | 16   | 25,629,876 | 18,784,906 | 311,687    | 174,084    |
| Hire purchase liabilities            | 17   | -          | 3,037      | -          | -          |
| Provision for retirement benefits    | 18   | 39,053     | 501,424    | -          | -          |
| Proposed Directors' fees             |      | 78,000     | 37,000     | 78,000     | 37,000     |
| Current taxation                     |      | 1,080,525  | 1,155,998  | -          | 47,280     |
| Borrowings (interest bearing)        | 19   |            |            |            |            |
| - bank overdrafts                    |      | 1,018,484  | 666,820    | -          | -          |
| - others                             |      | 1,169,000  | 1,339,000  | -          | -          |
|                                      |      | 29,014,938 | 22,488,185 | 389,687    | 258,364    |
| <b>Net current assets</b>            |      | 46,893,292 | 39,770,540 | 36,582,767 | 15,816,255 |
| <b>Less: Non current liabilities</b> |      |            |            |            |            |
| Provision for retirement benefits    | 18   | 1,149,184  | 763,743    | -          | -          |
| Deferred taxation                    | 20   | 368,000    | 395,000    | -          | -          |
|                                      |      | 1,517,184  | 1,158,743  | -          | -          |
|                                      |      | 76,930,042 | 70,599,778 | 70,464,436 | 56,251,809 |
| <b>Capital and reserves</b>          |      |            |            |            |            |
| Share capital                        | 21   | 43,557,000 | 43,400,000 | 43,557,000 | 43,400,000 |
| Share premium                        |      | 3,663,870  | 3,439,360  | 8,214,828  | 7,990,318  |
| Revaluation and other reserves       |      | 5,765,141  | 5,602,215  | -          | -          |
| Retained profits                     | 22   | 23,944,031 | 18,158,203 | 18,692,608 | 4,861,491  |
| <b>Shareholders' equity</b>          |      | 76,930,042 | 70,599,778 | 70,464,436 | 56,251,809 |

The notes on pages 46 to 72 form part of these financial statements.



# consolidated statement of changes in equity

for the financial year ended 31 December 2002



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|  |      | NON-DISTRIBUTABLE   |                           |  |                     | DISTRIBUTABLE          |             |
|--|------|---------------------|---------------------------|--|---------------------|------------------------|-------------|
|  | Note | Share capital<br>RM | Revaluation reserve<br>RM | Foreign currency translation reserve<br>RM | Share premium<br>RM | Retained profits<br>RM | Total<br>RM |
| <b>2002</b>  |      |                     |                           |  |                     |                        |             |
| At 1 January 2002  |      |                     |                           |  |                     |                        |             |
| - as previously reported                                     | 10   | 43,400,000          | 5,627,818                 | (25,603)                                   | 3,439,360           | 16,422,203             | 68,863,778  |
| - prior year adjustment                                      | 10   | -                   | -                         | -  | -                   | 1,736,000              | 1,736,000   |
| - as restated  |      | 43,400,000          | 5,627,818                 | (25,603)                                   | 3,439,360           | 18,158,203             | 70,599,778  |
| Currency translation differences                             |      | -                   | -                         | 162,926                                    | -                   | -                      | 162,926     |
| Net gain not recognised in income statement                  |      | -                   | -                         | 162,926                                    | -                   | -                      | 162,926     |
| Net profit for the financial year                            |      | -                   | -                         | -  | -                   | 9,268,348              | 9,268,348   |
| Dividends for:   |      |                     |                           |  |                     |                        |             |
| - financial year ended 31 December 2002 (interim)            | 11   | -                   | -                         | -  | -                   | (1,741,840)            | (1,741,840) |
| - financial year ended 31 December 2001 (final)              | 11   | -                   | -                         | -  | -                   | (1,740,680)            | (1,740,680) |
| Issue of shares  |      |                     |                           |  |                     |                        |             |
| - exercise of options under the Employee Share Option Scheme |      | 157,000             | -                         | -  | 224,510             | -                      | 381,510     |
| At 31 December 2002  |      | 43,557,000          | 5,627,818                 | 137,323                                    | 3,663,870           | 23,944,031             | 76,930,042  |
| <b>2001</b>  |      |                     |                           |  |                     |                        |             |
| At 1 January 2001  |      |                     |                           |  |                     |                        |             |
| - as previously reported                                     | 10   | 43,400,000          | 5,627,818                 | 13,032                                     | 3,439,360           | 11,192,817             | 63,673,027  |
| - prior year adjustment                                      | 10   | -                   | -                         | -  | -                   | 2,604,000              | 2,604,000   |
| - as restated  |      | 43,400,000          | 5,627,818                 | 13,032                                     | 3,439,360           | 13,796,817             | 66,277,027  |
| Currency translation differences                             |      | -                   | -                         | (38,635)                                   | -                   | -                      | (38,635)    |
| Net loss not recognised in income statement                  |      | -                   | -                         | (38,635)                                   | -                   | -                      | (38,635)    |
| Net profit for the financial year                            |      | -                   | -                         | -  | -                   | 8,267,386              | 8,267,386   |
| Dividends for:   |      |                     |                           |  |                     |                        |             |
| - financial year ended 31 December 2001 (interim)            | 11   | -                   | -                         | -  | -                   | (1,302,000)            | (1,302,000) |
| - financial year ended 31 December 2000 (final)              |      | -                   | -                         | -  | -                   | (2,604,000)            | (2,604,000) |
| At 31 December 2001  |      | 43,400,000          | 5,627,818                 | (25,603)                                   | 3,439,360           | 18,158,203             | 70,599,778  |

The notes on pages 46 to 72 form part of these financial statements.



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|   | Note | Share<br>capital<br>RM | Non-<br>distributable<br>Share<br>premium<br>RM | Distributable<br>Retained<br>profits<br>RM | Total<br>RM |
|---|------|------------------------|---|--|-------------|
| <b>2002</b>   |      |                        |   |  |             |
| At 1 January 2002   |      |                        |   |  |             |
| - as previously reported  | 10   | 43,400,000             | 7,990,318                                       | 3,125,491                                  | 54,515,809  |
| - prior year adjustment   | 10   | -                      | -   | 1,736,000                                  | 1,736,000   |
| - as restated   |      | 43,400,000             | 7,990,318                                       | 4,861,491                                  | 56,251,809  |
| Net profit for the financial year                               |      | -                      | -   | 17,313,637                                 | 17,313,637  |
| Dividends for:  |      |                        |   |  |             |
| - financial year ended<br>31 December 2002 (interim)            | 11   | -                      | -   | (1,741,840)                                | (1,741,840) |
| - financial year ended<br>31 December 2001 (final)              | 11   | -                      | -   | (1,740,680)                                | (1,740,680) |
| Issue of shares:  |      |                        |   |  |             |
| - exercise of options under the<br>Employee Share Option Scheme |      | 157,000                | 224,510   | -  | 381,510     |
| At 31 December 2002   |      | 43,557,000             | 8,214,828                                       | 18,692,608                                 | 70,464,436  |
| <b>2001</b>   |      |                        |   |  |             |
| At 1 January 2001   |      |                        |   |  |             |
| - as previously reported  | 10   | 43,400,000             | 7,990,318                                       | 628,051                                    | 52,018,369  |
| - prior year adjustment   | 10   | -                      | -   | 2,604,000                                  | 2,604,000   |
| - as restated   |      | 43,400,000             | 7,990,318                                       | 3,232,051                                  | 54,622,369  |
| Net profit for the financial year                               |      | -                      | -   | 5,535,440                                  | 5,535,440   |
| Dividends for:  |      |                        |   |  |             |
| - financial year ended<br>31 December 2001 (interim)            | 11   | -                      | -   | (1,302,000)                                | (1,302,000) |
| - financial year ended<br>31 December 2000 (final)              |      | -                      | -   | (2,604,000)                                | (2,604,000) |
| At 31 December 2001   |      | 43,400,000             | 7,990,318                                       | 4,861,491                                  | 56,251,809  |

The notes on pages 46 to 72 form part of these financial statements.

## cash flow statements

for the financial year ended 31 December 2002



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|   |      | GROUP              |             | COMPANY             |             |
|---|------|--------------------|-------------|---------------------|-------------|
|   | Note | 2002<br>RM         | 2001<br>RM  | 2002<br>RM          | 2001<br>RM  |
| <b>Cash flows from operating activities</b>                                 |      |                    |             |                     |             |
| Net profit  |      | <b>9,268,348</b>   | 8,267,386   | <b>17,313,637</b>   | 5,535,440   |
| Adjustments   | 23   | <b>7,391,260</b>   | 5,650,559   | <b>(17,994,476)</b> | (5,978,903) |
| Operating profit/(loss) before working capital changes                      |      | <b>16,659,608</b>  | 13,917,945  | <b>(680,839)</b>    | (443,463)   |
| Increase in inventories   |      | <b>(1,113,018)</b> | (4,703,544) | -                   | -           |
| Increase in receivables   |      | <b>(6,909,722)</b> | (3,734,595) | <b>(20,588,469)</b> | (4,658,000) |
| Increase/(decrease) in payables   |      | <b>6,878,971</b>   | 1,256,412   | <b>178,605</b>      | (59,126)    |
| Cash generated from/<br>(used in) operations                                |      | <b>15,515,839</b>  | 6,736,218   | <b>(21,090,703)</b> | (5,160,589) |
| Retirement benefits paid  |      | <b>(555,375)</b>   | (24,305)    | -                   | -           |
| Tax paid  |      | <b>(4,039,854)</b> | (2,249,859) | <b>(65,480)</b>     | -           |
| Dividends received  |      | -                  | -           | <b>27,358,480</b>   | 4,368,000   |
| <b>Net cash generated from/<br/>(used in) operating activities</b>          |      | <b>10,920,610</b>  | 4,462,054   | <b>6,202,297</b>    | (792,589)   |
| <b>Net cash flow (used in)/<br/>generated from investing activities</b>     | 24   | <b>(2,490,629)</b> | (6,400,250) | <b>488,708</b>      | 398,888     |
| <b>Net cash flow used in<br/>financing activities</b>                       | 25   | <b>(3,379,463)</b> | (5,347,007) | <b>(3,101,010)</b>  | (3,906,000) |
| <b>Net increase/(decrease) in<br/>cash and cash equivalents</b>             |      | <b>5,050,518</b>   | (7,285,203) | <b>3,589,995</b>    | (4,299,701) |
| <b>Cash and cash equivalents at the<br/>beginning of the financial year</b> |      | <b>5,945,830</b>   | 13,267,891  | <b>1,468,153</b>    | 5,767,854   |
| <b>Currency translation differences</b>                                     |      | <b>160,975</b>     | (36,858)    | -                   | -           |
| <b>Cash and cash equivalents<br/>at the end of the financial year</b>       | 26   | <b>11,157,323</b>  | 5,945,830   | <b>5,058,148</b>    | 1,468,153   |

The notes on pages 46 to 72 form part of these financial statements.



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## notes to the financial statements

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### 1. GENERAL INFORMATION

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the Group consist of the manufacturing, distribution and retailing of pharmaceutical products.

The number of employees at the end of the financial year was 484 (2001: 469) for the Group and 4 (2001: 3) for the Company.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Second Board of the Kuala Lumpur Stock Exchange.

The address of the registered office and principal place of business of the Company is 134/2, Kompleks Perniagaan Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka.

### 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk.

The Group has implemented a system of internal controls, which is designed to identify and manage the risks facing the Group in pursuit of its business objectives. The system of internal controls covers risk management and financial, organisational, operational and compliance controls so as to safeguard shareholders' interests and the Group's assets.

Financial risk management is carried out through high-level principal risk identification, risk reviews, internal control systems, a Group insurance programme and adherence to Group financial risk management policies.

The Board has instituted an Internal Audit function that regularly reviews these risks to ensure proper management of these risks with the formulation of action plans to address these risks.

#### **Foreign currency exchange risk**

The Group is exposed to currency risk as a result of foreign currency transactions entered into by its subsidiaries in currencies other than their functional currency. These companies enter into short-term forward foreign exchange contracts to manage their exposure to fluctuations in foreign currency exchange rates on specific transactions arising from trade receivables and payables.

#### **Interest rate risk**

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure, which arises from the Group's borrowings and deposits has minimal impact, and is managed through concerted periodic reviews.

#### **Credit risk**

Credit risk arises on sales made on deferred credit terms. The Group seeks to control credit risk by ensuring that sales of products are made to customers who have been subjected to stringent credit review, a process of the Group's credit control policy.

The Group considers the risk of material loss in the event of non-performance by the customers to be unlikely.



## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### **Liquidity and cash flow risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the individual policy statements in Note 4 to the financial statements.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The new applicable approved accounting standards adopted in these financial statements are as follows:

### **(a) Retrospective application**

Comparative figures have been adjusted or extended to conform with changes in presentation due to the requirements of the following new MASB Standards that have been applied retrospectively:

- MASB Standard 19 “Events After Balance Sheet Date”
- MASB Standard 20 “Provisions, Contingent Liabilities and Contingent Assets”
- MASB Standard 22 “Segment Reporting”

With the exception of MASB Standard 19 (See Note 10), there are no changes in accounting policy that affect net profit for the year as a result of the adoption of the above standards in these financial statements as the Group was already following the recognition and measurement principles in those standards.

### **(b) Prospective application from 1 January 2002**

- MASB Standard 21 “Business Combinations”  
The Group has taken advantage of the exemption provided to apply this Standard prospectively. Accordingly, business combinations entered into prior to 1 January 2002 have not been restated to comply with this Standard.
- MASB Standard 24 “Financial Instruments: Disclosure and Presentation”  
The Group has taken advantage of the exemption provided to apply this Standard prospectively. Accordingly, comparatives are not disclosed upon first application of MASB 24, as permitted by the Standard.

The preparation of financial statements in conformity with the applicable approved accounting standards and the provisions of the Companies Act requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements except for the adoption of a new policy as set out in Note 4(m).

##### (a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the year. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date control ceases.

Subsidiaries are consolidated using the acquisition method of accounting except for certain subsidiaries, as disclosed in Note 13, which were consolidated prior to 1 January 2002 using the merger method of accounting in accordance with Malaysian Accounting Standard No. 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

##### (b) Property, plant and equipment

All property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at market value, based on valuations once in every five years by independent valuers, less subsequent amortisation/depreciation. All other property, plant and equipment and additions to land and buildings in the period between valuations are stated at historical cost less accumulated depreciation.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained profits.

Freehold land is not amortised as it has an infinite life. Long leasehold land is amortised in equal instalments over the periods of the respective leases that range from 74 to 97 years. Depreciation of the other property, plant and equipment is calculated to write off the cost, or the revalued amounts, in equal instalments over their estimated useful lives.





## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(b) Property, plant and equipment (continued)**

The principal annual depreciation rates used for this purpose are as follows:

|  |              |
|--|--------------|
| Buildings and shop units               | 2%           |
| Plant, machinery and factory equipment | 10 - 15%     |
| Furniture, fittings and equipment      | 10 - 33 1/3% |
| Motor vehicles                         | 20%          |

Where the carrying amount of the asset is greater than its recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

**(c) Investments in subsidiaries**

Investments in subsidiaries are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

**(d) Inventories**

Inventories are valued at the lower of cost and net realisable value.

Cost is determined using the first in, first out and the weighted average methods. The cost of finished goods and work in progress consists of direct materials, direct labour, direct charges and an appropriate proportion of production overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

**(e) Receivables**

Receivables are carried at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end. Bad debts are written off during the year in which they are identified.

**(f) Hire purchase**

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and the corresponding obligations treated as a liability. Finance charges are allocated to the income statement over the period of the hire purchase to give a constant periodic rate of interest on the remaining hire purchase liabilities.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(g) Deferred taxation**

Deferred taxation is recorded using the liability method on all material timing differences between taxable and accounting profits. Debit balances on the deferred taxation account are not recognised unless there is a reasonable expectation of their realisation.

**(h) Retirement benefits**

Contributions to defined contribution plans are charged to the income statement in the year to which they relate.

One of the subsidiaries operates a defined benefit retirement plan for its employees employed before 1 January 2001. Provision for retirement benefits is made by the subsidiary taking into account the recommendations of independent qualified actuaries. The retirement plan accounting cost is assessed using the projected benefit valuation method. Under this method, the cost of providing retirement benefits is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of independent actuaries who carry out a full valuation of the plan every three years. The retirement benefits obligation is measured at the present value of the estimated future cash flows using a discount rate of 5.5% per annum. All actuarial gains and losses are amortised over the average remaining working lives of the employees.

**(i) Foreign entity**

The Group's foreign entity is an operation that is not an integral part of the operations of the Company. Income statement of the foreign entity is translated into Ringgit Malaysia at the average exchange rate for the year and the balance sheet is translated at the exchange rate ruling at the balance sheet date. Exchange differences arising from the retranslation of the net investment in the foreign entity are taken to 'Foreign currency translation reserve' in shareholders' equity.

**Foreign currency transactions and balances**

Transactions in foreign currencies have been translated into Ringgit Malaysia at the exchange rates prevailing at the date of the transactions, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign monetary assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at the exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency amounts have been dealt with through the income statement.

The principal closing rates used in the translation of foreign currency amounts were as follows:

| FOREIGN CURRENCY | 2002 | 2001 |
|------------------|------|------|
|                  | RM   | RM   |
| 1 USD            | 3.80 | 3.80 |
| 1 SGD            | 2.19 | 2.05 |



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(j) Research cost**

Research cost is recognised as an expense when incurred.

**(k) Revenue recognition**

Sales are recognised upon delivery of goods and services and acknowledgement of acceptance by customers.

Interest income is recognised on the accrual basis.

Dividend income is recognised when the shareholder's right to receive payment is established.

**(l) Operating leases**

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement in the year in which they are incurred.

**(m) Dividends to shareholders**

Dividends on ordinary shares to shareholders are recognised as liabilities when proposed or declared by the Board of Directors before the balance sheet date.

Previously dividends were accrued as a liability when proposed or declared by the Board of Directors including those proposed or declared after the balance sheet date but before the financial statements are authorised for issue. Following the adoption of the MASB Standard 19, dividends proposed or declared after the balance sheet date but before the financial statements are authorized for issue are not recognised as a liability at the balance sheet date. The financial effects of the change in accounting policy are disclosed in Note 10 to the financial statements.

**(n) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(o) Financial instruments**

**1) Financial instruments recognised on the balance sheet**

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.



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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (o) Financial instruments (continued)

## 2) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments which comprise foreign currency forward contracts. These instruments are not recognised in the financial statements on inception.

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items. Gains and losses on contracts which are no longer designated as hedges are included in the income statement.

## 3) Fair value estimation for disclosure purposes

The face values, less any estimated credit adjustments, for financial assets and liabilities that mature in less than one year are assumed to approximate their fair values.

## 5. REVENUE

|   | GROUP       |             | COMPANY    |            |
|---|-------------|-------------|------------|------------|
|   | 2002<br>RM  | 2001<br>RM  | 2002<br>RM | 2001<br>RM |
| Sale of pharmaceutical products               | 157,499,328 | 136,611,406 | -          | -          |
| Gross dividends from<br>unquoted subsidiaries | -           | -           | 22,664,851 | 6,450,000  |
| Management service fees                       | -           | -           | 620,955    | 561,107    |
|   | 157,499,328 | 136,611,406 | 23,285,806 | 7,011,107  |



## 6. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting):

|   | GROUP      |            | COMPANY      |             |
|---|------------|------------|--------------|-------------|
|   | 2002<br>RM | 2001<br>RM | 2002<br>RM   | 2001<br>RM  |
| Directors' fees                                     |            |            |              |             |
| - Executive Directors                               | 12,000     | 13,000     | 12,000       | 13,000      |
| - Non-executive Directors                           | 66,000     | 24,000     | 66,000       | 24,000      |
| Staff costs   |            |            |              |             |
| - Executive Directors' emoluments other than fees   | 1,644,929  | 1,463,957  | 581,244      | 504,339     |
| - other staff costs                                 | 16,410,374 | 15,180,513 | 225,998      | 194,405     |
| Depreciation of property, plant and equipment       | 3,159,613  | 2,813,979  | 15,998       | 10,909      |
| Auditors' remuneration                              |            |            |              |             |
| - current year                                      | 64,575     | 74,406     | 19,000       | 19,000      |
| - prior year adjustment                             | (3,085)    | 381        | -            | -           |
| Foreign exchange loss                               |            |            |              |             |
| - realised  | 52,488     | 98,502     | -            | -           |
| - unrealised  | 5,658      | 29,164     | -            | -           |
| Rental expense                                      | 2,333,742  | 2,170,077  | -            | -           |
| Research cost                                       | 469,136    | 319,806    | -            | -           |
| Provision for retirement benefits                   | 478,445    | 365,580    | -            | -           |
| Property, plant and equipment written off           | 905        | 76,952     | 901          | 1,585       |
| Profit on disposal of property, plant and equipment | (70,710)   | (400,405)  | -            | -           |
| Rental income                                       | (180,850)  | (157,048)  | -            | -           |
| Interest income                                     | (163,181)  | (201,730)  | (500,229)    | (423,397)   |
| Gross dividends from unquoted subsidiaries          | -          | -          | (22,664,851) | (6,450,000) |

The cost of inventories of the Group and of the Company recognised as an expense during the financial year amounted to RM107,730,332 (2001: RM99,433,956) and RM Nil (2001: RM Nil) respectively.

The estimated monetary value of non-cash benefits provided to certain executive Directors of the Company during the financial year amounted to RM9,183 (2001: RM5,987).

The amount of non-audit fees paid/payable to external auditors by the Group and the Company during the financial year amounted to RM61,580 (2001: RM58,655) and RM15,000 (2001: RM10,200) respectively.



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### 7. FINANCE COST

|                                | GROUP      |            | COMPANY    |            |
|--------------------------------|------------|------------|------------|------------|
|                                | 2002<br>RM | 2001<br>RM | 2002<br>RM | 2001<br>RM |
| Interest expense on borrowings | 105,416    | 145,262    | -          | -          |
| Bank commitment charges        | -          | 28,927     | -          | -          |
|                                | 105,416    | 174,189    | -          | -          |

### 8. TAXATION

|                                  |             |             |             |           |
|----------------------------------|-------------|-------------|-------------|-----------|
| In respect of the financial year |             |             |             |           |
| - income tax in Malaysia         | (3,841,526) | (2,425,866) | (5,180,358) | (882,000) |
| - deferred taxation (Note 20)    | 27,000      | (395,000)   | -           | -         |
|                                  | (3,814,526) | (2,820,866) | (5,180,358) | (882,000) |
| In respect of prior years        |             |             |             |           |
| - income tax in Malaysia         | (60,587)    | (891)       | 26,653      | -         |
|                                  | (3,875,113) | (2,821,757) | (5,153,705) | (882,000) |

The effective tax rate of the Group is marginally higher than the statutory income tax rate mainly due to certain expenses which are non deductible for tax purposes. The lower effective tax rate of the Company is mainly due to tax exempt dividends received from certain subsidiaries that enjoy certain tax incentives which generate tax exempt income.

### 9. EARNINGS PER SHARE

#### (a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

|   | GROUP      |            |
|---|------------|------------|
|   | 2002       | 2001       |
| Net profit for the financial year (RM)              | 9,268,348  | 8,267,386  |
| Weighted average number of ordinary shares in issue | 43,515,583 | 43,400,000 |
| Basic earnings per share (sen)                      | 21.3       | 19.0       |





## 9. EARNINGS PER SHARE (CONTINUED)

## (b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has a category of dilutive potential ordinary shares, i.e. share options granted to employees.

In respect of share options granted to employees, a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the 'bonus' element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the financial year for the share options calculation.

|   | GROUP      |            |
|---|------------|------------|
|   | 2002       | 2001       |
| Net profit for the financial year (RM)                                    | 9,268,348  | 8,267,386  |
| Weighted average number of ordinary shares in issue                       | 43,515,583 | 43,400,000 |
| Adjustment for share options  | 714,238    | 21,156     |
| Weighted average number of ordinary shares for diluted earnings per share | 44,229,821 | 43,421,156 |
| Diluted earnings per share (sen)  | 20.9       | 19.0       |

## 10. PRIOR YEAR ADJUSTMENT

During the financial year, the Company changed its accounting policy with respect to recognition of dividends proposed after balance sheet date in accordance with Standard No. 19 of the Malaysian Accounting Standards Board - "Events After the Balance Sheet Date".

Previously, dividends were accrued as a liability when proposed by the Board of Directors. Following the adoption of the MASB Standard No.19, dividends proposed after the balance sheet date but before the financial statements are authorised for issue are not recognised as a liability at the balance sheet date.

This change in accounting policy has been accounted for retrospectively.



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### 10. PRIOR YEAR ADJUSTMENT (CONTINUED)

The effects of the above change of accounting policy on the Group's and the Company's financial statements are as follows:

|                    | GROUP                              |   |                      | COMPANY                            |   |                      |
|--------------------|------------------------------------|---|----------------------|------------------------------------|---|----------------------|
|                    | As<br>previously<br>reported<br>RM | Effects of<br>change in<br>policy<br>RM | As<br>restated<br>RM | As<br>previously<br>reported<br>RM | Effects of<br>change in<br>policy<br>RM | As<br>restated<br>RM |
| Balance sheet:     |                                    |   |                      |                                    |   |                      |
| Retained profits   |                                    |   |                      |                                    |   |                      |
| - 1 January 2001   | 11,192,817                         | 2,604,000                               | 13,796,817           | 628,051                            | 2,604,000                               | 3,232,051            |
| - 1 January 2002   | 16,422,203                         | 1,736,000                               | 18,158,203           | 3,125,491                          | 1,736,000                               | 4,861,491            |
| Proposed dividend  |                                    |   |                      |                                    |   |                      |
| - 31 December 2001 | 1,736,000                          | (1,736,000)                             | -                    | 1,736,000                          | (1,736,000)                             | -                    |

### 11. DIVIDENDS

|                         | GROUP AND COMPANY                     |  |                                       |  |
|-------------------------|---------------------------------------|--|---------------------------------------|--|
|                         | 2002                                  |  | 2001                                  |  |
|                         | Gross<br>dividend<br>per share<br>sen | Amount of<br>dividend,<br>net of tax<br>RM | Gross<br>dividend<br>per share<br>sen | Amount of<br>dividend,<br>net of tax<br>RM |
| Interim dividend paid   | 4.0                                   | 1,741,840                                  | 3.0                                   | 1,302,000                                  |
| Proposed final dividend | 5.0                                   | 1,568,052                                  | 4.0                                   | 1,740,680                                  |
|                         | 9.0                                   | 3,309,892                                  | 7.0                                   | 3,042,680                                  |

At the forthcoming Annual General Meeting on 21 May 2003, a final dividend in respect of the financial year ended 31 December 2002 of 5 sen gross per share less income tax at 28% (2001: tax exempt of 4 sen per share) amounting to RM1,568,052 (2001: RM1,740,680) on 43,557,000 ordinary shares will be proposed for shareholders' approval. These financial statements do not reflect this final dividend as it was proposed by the Board of Directors after the balance sheet date but it will be accrued as a liability in the year ending 31 December 2003 on the date it was proposed. This represents a change in accounting treatment from that of prior years as explained in Note 10.

12. PROPERTY, PLANT AND EQUIPMENT

|  | Freehold land<br>RM | Buildings on<br>freehold land<br>RM | Long<br>leasehold land<br>RM | Buildings<br>on leasehold<br>land<br>RM | Freehold<br>shop units<br>RM | Plant,<br>machinery<br>and factory<br>equipment<br>RM | Furniture,<br>fittings and<br>equipment<br>RM | Motor<br>vehicles<br>RM | Total<br>RM       |
|--|---------------------|-------------------------------------|------------------------------|---|------------------------------|---|---|-------------------------|-------------------|
| <b>GROUP</b>                           |                     |                                     |                              |   |                              |   |   |                         |                   |
| <b>Movements:</b>                      |                     |                                     |                              |   |                              |   |   |                         |                   |
| Net book value as at 1.1.2002          | 290,000             | 153,600                             | 8,223,622                    | 8,804,692                               | 2,227,200                    | 6,870,648   | 3,625,429                                     | 1,792,790               | 31,987,981        |
| Currency translation differences       | -                   | -                                   | -                            | -                                       | -                            | -   | 1,950   | -                       | 1,950             |
| Additions                              | -                   | -                                   | -                            | 103,968                                 | -                            | 339,730   | 1,474,961                                     | 859,738                 | 2,778,397         |
| Disposals                              | -                   | -                                   | -                            | -                                       | -                            | -   | (53,873)                                      | (3)                     | (53,876)          |
| Write off                              | -                   | -                                   | -                            | -                                       | -                            | -   | (905)   | -                       | (905)             |
| Depreciation charge                    | -                   | (3,200)                             | (87,539)                     | (184,606)                               | (46,400)                     | (1,059,443)   | (1,147,319)                                   | (631,106)               | (3,159,613)       |
| <b>Net book value as at 31.12.2002</b> | <b>290,000</b>      | <b>150,400</b>                      | <b>8,136,083</b>             | <b>8,724,054</b>                        | <b>2,180,800</b>             | <b>6,150,935</b>                                      | <b>3,900,243</b>                              | <b>2,021,419</b>        | <b>31,553,934</b> |
| <b>At 31.12.2002</b>                   |                     |                                     |                              |   |                              |   |   |                         |                   |
| Cost                                   | -                   | -                                   | 1,409,242                    | 2,875,255                               | -                            | 13,965,440  | 11,447,489                                    | 3,984,410               | 33,681,836        |
| Valuation                              | 290,000             | 160,000                             | 6,990,000                    | 6,360,000                               | 2,320,000                    | -   | -   | -                       | 16,120,000        |
| Accumulated depreciation               | -                   | (9,600)                             | (263,159)                    | (511,201)                               | (139,200)                    | (7,814,505)   | (7,547,246)                                   | (1,962,991)             | (18,247,902)      |
| <b>Net book value</b>                  | <b>290,000</b>      | <b>150,400</b>                      | <b>8,136,083</b>             | <b>8,724,054</b>                        | <b>2,180,800</b>             | <b>6,150,935</b>                                      | <b>3,900,243</b>                              | <b>2,021,419</b>        | <b>31,553,934</b> |
| <b>At 31.12.2001</b>                   |                     |                                     |                              |   |                              |   |   |                         |                   |
| Cost                                   | -                   | -                                   | 1,409,242                    | 2,771,287                               | -                            | 14,025,927  | 10,503,431                                    | 3,354,929               | 32,064,816        |
| Valuation                              | 290,000             | 160,000                             | 6,990,000                    | 6,360,000                               | 2,320,000                    | -   | -   | -                       | 16,120,000        |
| Accumulated depreciation               | -                   | (6,400)                             | (175,620)                    | (326,595)                               | (92,800)                     | (7,155,279)   | (6,878,002)                                   | (1,562,139)             | (16,196,835)      |
| <b>Net book value</b>                  | <b>290,000</b>      | <b>153,600</b>                      | <b>8,223,622</b>             | <b>8,804,692</b>                        | <b>2,227,200</b>             | <b>6,870,648</b>                                      | <b>3,625,429</b>                              | <b>1,792,790</b>        | <b>31,987,981</b> |

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### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

|                                 | Furniture,<br>fittings and<br>equipment<br>RM | Total<br>RM |
|---------------------------------|---|-------------|
| <b>COMPANY</b>                  |   |             |
| <b>Movements:</b>               |   |             |
| Net book value as at 1.1.2002   | 30,680  | 30,680      |
| Additions                       | 11,521  | 11,521      |
| Write off                       | (901)   | (901)       |
| Depreciation charge             | (15,998)                                      | (15,998)    |
| Net book value as at 31.12.2002 | 25,302  | 25,302      |
| <b>At 31.12.2002</b>            |   |             |
| Cost                            | 57,453  | 57,453      |
| Accumulated depreciation        | (32,151)                                      | (32,151)    |
| Net book value                  | 25,302  | 25,302      |
| <b>At 31.12.2001</b>            |   |             |
| Cost                            | 46,962  | 46,962      |
| Accumulated depreciation        | (16,282)                                      | (16,282)    |
| Net book value                  | 30,680  | 30,680      |

Land and buildings of the Group were last revalued in 2000 by an independent firm of qualified valuers using the comparison method and investment method of valuation to reflect fair value.

The net book values of the revalued land and buildings, had these assets been carried at cost less accumulated depreciation are as follows:

|                             | <b>GROUP</b>       |                    |
|-----------------------------|--------------------|--------------------|
|                             | <b>2002<br/>RM</b> | <b>2001<br/>RM</b> |
| Freehold land               | 280,000            | 280,000            |
| Buildings on freehold land  | 141,903            | 146,578            |
| Long leasehold land         | 2,435,490          | 2,462,582          |
| Buildings on leasehold land | 5,816,742          | 5,958,769          |
| Freehold shop units         | 1,187,507          | 1,222,924          |
|                             | <b>9,861,642</b>   | <b>10,070,853</b>  |

The net book value of motor vehicle acquired under hire purchase agreements amounted to RM Nil (2001: RM17,252) for the Group and RM Nil (2001: RM Nil) for the Company.



## 13. SUBSIDIARIES

|   | COMPANY     |            |
|---|-------------|------------|
|   | 2002<br>RM  | 2001<br>RM |
| Unquoted shares at cost                     | 40,404,874  | 40,404,874 |
| Less: Net dividends from pre-merger profits | (6,548,507) | -          |
|   | 33,856,367  | 40,404,874 |

The unquoted subsidiaries are as follows:

| NAME OF COMPANY   | PRINCIPAL ACTIVITY                                    | EQUITY INTEREST |           |
|---|---|-----------------|-----------|
|   |   | 2002<br>%       | 2001<br>% |
| + Xepa-Soul Pattinson (Malaysia) Sendirian Berhad                     | Manufacturing of pharmaceutical products              | 100             | 100       |
| + Apex Pharmacy Marketing Sdn Bhd                                     | Marketing and distribution of pharmaceutical products | 100             | 100       |
| + Apex Pharmacy Sdn Bhd   | Retailing of pharmaceutical products                  | 100             | 100       |
| + Apex Pharmacy (E.M.) Sdn Bhd  | Dormant   | 100             | 100       |
| <b>Subsidiary of Xepa-Soul Pattinson (Malaysia) Sendirian Berhad:</b> |   |                 |           |
| * Xepa-Soul Pattinson (S) Pte Ltd                                     | Marketing and distribution of pharmaceutical products | 100             | 100       |

\* Audited by PricewaterhouseCoopers, Singapore

+ Consolidated using merger accounting

Except for Xepa-Soul Pattinson (S) Pte Ltd which is incorporated in Singapore, the other subsidiaries are incorporated in Malaysia.



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### 14. INVENTORIES

|                                    | GROUP             |                   |
|------------------------------------|-------------------|-------------------|
|                                    | 2002<br>RM        | 2001<br>RM        |
| <b>At cost</b>                     |                   |                   |
| Raw materials                      | 2,270,851         | 2,267,501         |
| Work in progress                   | 153,950           | 115,744           |
| Finished goods                     | 3,599,391         | 3,813,443         |
| Pharmaceutical items held for sale | 22,067,186        | 20,781,672        |
|                                    | <b>28,091,378</b> | <b>26,978,360</b> |

### 15. TRADE AND OTHER RECEIVABLES

|  | GROUP             |                   | COMPANY           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2002<br>RM        | 2001<br>RM        | 2002<br>RM        | 2001<br>RM        |
| Trade receivables                      | 33,607,081        | 28,634,769        | -                 | -                 |
| Allowance for doubtful debts           | (1,273,876)       | (1,514,755)       | -                 | -                 |
|  | <b>32,333,205</b> | <b>27,120,014</b> | -                 | -                 |
| Bills receivable                       | 538,958           | 578,766           | -                 | -                 |
| Amounts due from subsidiaries:         |                   |                   |                   |                   |
| - interest bearing                     | -                 | -                 | 9,000,000         | 7,000,000         |
| - non-interest bearing                 | -                 | -                 | 22,757,931        | 4,288,242         |
| Dividends receivable from subsidiaries | -                 | -                 | -                 | 3,315,280         |
| Other receivables                      | 842,521           | 228,031           | -                 | 369               |
| Deposits                               | 859,906           | 546,142           | 1,700             | 1,300             |
| Prepayments                            | 937,673           | 128,249           | 120,023           | 1,275             |
|  | <b>35,512,263</b> | <b>28,601,202</b> | <b>31,879,654</b> | <b>14,606,466</b> |

The currency exposure profile of trade receivables and bills receivable is as follows:

|                    |                   |          |
|--------------------|-------------------|----------|
| - Ringgit Malaysia | 30,602,008        | -        |
| - Singapore Dollar | 1,528,509         | -        |
| - US Dollar        | 713,801           | -        |
| - Others           | 27,845            | -        |
|                    | <b>32,872,163</b> | <b>-</b> |





## 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables and amounts due from subsidiaries are denominated in Ringgit Malaysia.

The amounts due from subsidiaries are unsecured and have no credit terms or fixed terms of repayment. The credit terms of trade receivables range from 30 days to 120 days. The effective weighted average interest rate for amounts due from subsidiaries at balance sheet date was 5.2% per annum. Interest is chargeable by the Company at rates which varied from 4% to 6% (2001: 4% to 6%) per annum on certain amounts due from the subsidiaries.

Concentrations of credit risk with respect to trade receivables is limited due to the Group's large number of customers who are dispersed throughout the country. The Group's historical experience in collection of account receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the allowance made for doubtful debts is inherent in the Group's trade receivables.

## 16. TRADE AND OTHER PAYABLES

|                | GROUP      |            | COMPANY    |            |
|----------------|------------|------------|------------|------------|
|                | 2002<br>RM | 2001<br>RM | 2002<br>RM | 2001<br>RM |
| Trade payables | 21,528,697 | 16,211,333 | 73,613     | 42,754     |
| Trade accruals | 4,101,179  | 2,573,573  | 238,074    | 131,330    |
|                | 25,629,876 | 18,784,906 | 311,687    | 174,084    |

The currency exposure profile of payables is as follows:

|                    |            |         |
|--------------------|------------|---------|
| - Ringgit Malaysia | 23,707,413 | 311,687 |
| - Singapore Dollar | 583,489    | -       |
| - US Dollar        | 1,064,765  | -       |
| - Euro Dollar      | 12,117     | -       |
| - Others           | 262,092    | -       |
|                    | 25,629,876 | 311,687 |

Credit terms of payables granted to the Group and the Company range from 30 days to 90 days.



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### 17. HIRE PURCHASE LIABILITIES

|  | GROUP      |            |
|--|------------|------------|
|  | 2002<br>RM | 2001<br>RM |
| Analysis of hire purchase commitments: |            |            |
| Not later than 1 year                  | -          | 3,682      |
| Less: Future finance charges           | -          | (645)      |
|  | -          | 3,037      |

### 18. PROVISION FOR RETIREMENT BENEFITS

|                                    | GROUP      |            |
|------------------------------------|------------|------------|
|                                    | 2002<br>RM | 2001<br>RM |
| At 1 January                       | 1,265,167  | 923,892    |
| Charged to income statement        | 478,445    | 365,580    |
| Utilised during the financial year | (555,375)  | (24,305)   |
| At 31 December                     | 1,188,237  | 1,265,167  |
| Representing:                      |            |            |
| Current                            | 39,053     | 501,424    |
| Non current                        | 1,149,184  | 763,743    |
|                                    | 1,188,237  | 1,265,167  |

A subsidiary operates a defined benefit retirement plan for eligible employees employed before 1 January 2001. The pension plan is valued by independent qualified actuaries every three years using the projected benefit valuation method. The latest actuarial valuation was carried out as at 31 December 2002 and this valuation showed that the fund as at that date is sufficient to meet the actuarially determined value of vested benefits.



19. BORROWINGS (INTEREST BEARING)

|                            | GROUP      |            |
|----------------------------|------------|------------|
|                            | 2002<br>RM | 2001<br>RM |
| Unsecured                  |            |            |
| Bank overdrafts            | 1,018,484  | 666,820    |
| Trade financing facilities | 1,169,000  | 1,339,000  |
|                            | 2,187,484  | 2,005,820  |

The bank borrowings, denominated in Ringgit Malaysia are guaranteed by the Company.

Interest rates on the borrowings varied from 3.5% to 8.4% (2001: 3.2% to 8.8%) per annum during the financial year. The weighted average effective interest rate as at 31 December 2002 was 7.6% per annum.

20. DEFERRED TAXATION

|   | GROUP      |            |
|---|------------|------------|
|   | 2002<br>RM | 2001<br>RM |
| At 1 January                                    | 395,000    | -          |
| (Credited)/charged to income statement (Note 8) | (27,000)   | 395,000    |
| At 31 December                                  | 368,000    | 395,000    |

The Group has no foreseeable intention to dispose of the revalued properties and hence the related tax effect of the revaluation surplus is not expected to crystallise.



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## 21. SHARE CAPITAL

|  | GROUP AND COMPANY |             |
|--|-------------------|-------------|
|  | 2002<br>RM        | 2001<br>RM  |
| Authorised<br>Ordinary shares of RM1 each                    | 100,000,000       | 100,000,000 |
| Issued and fully paid ordinary shares of RM1 each            |                   |             |
| At 1 January   | 43,400,000        | 43,400,000  |
| Issued during the financial year                             |                   |             |
| - exercise of options under the Employee Share Option Scheme | 157,000           | -           |
| At 31 December   | 43,557,000        | 43,400,000  |

**Employee Share Option Scheme**

The Company implemented an Employee Share Option Scheme ("ESOS") on 8 October 2001. The ESOS is governed by the bye-laws which were approved by the shareholders on 16 August 2001.

The main features of the ESOS are as follows:

- The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary shares of the Company
- An employee (including executive directors) of the Group shall be eligible to participate in the Scheme if, as at the offer date, the employee:-
  - (i) has attained the age of eighteen (18) years;
  - (iii) is employed full-time by and is on the payroll with at least one year of service of a company within the Group (other than a company which is dormant); and
  - (iii) is an Executive Director of the Company whose allocation of Options has been approved by the Shareholders of the Company in a general meeting.
- The option price under the ESOS is the weighted average market price of the shares of the Company as quoted in the official list issued by the Kuala Lumpur Stock Exchange for the five market days preceding the offer date with an allowance for a discount of not more than 10% therefrom at the Option Committee's discretion, or the par value of the shares of the Company of RM1, whichever is the higher
- The options granted may be exercised at any time before the expiry of the ESOS on 8 October 2006
- The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company



## 21. SHARE CAPITAL (CONTINUED)

**Employee Share Option Scheme (continued)**

The movements during the financial year in the number of options over the shares of the Company are as follows:

|                     |           |
|---------------------|-----------|
| At 1 January 2002   | 3,779,000 |
| Granted             | 284,000   |
| Lapsed              | (129,000) |
| Exercised           | (157,000) |
| At 31 December 2002 | 3,777,000 |

## 22. RETAINED PROFITS

As at 31 December 2002, subject to agreement with the tax authorities, the Company has sufficient Malaysian (Section 108) tax credits and tax exempt income available to frank all of its retained profits if paid out as dividends.

## 23. ADJUSTMENTS

|   | GROUP      |            | COMPANY      |             |
|---|------------|------------|--------------|-------------|
|   | 2002<br>RM | 2001<br>RM | 2002<br>RM   | 2001<br>RM  |
| Depreciation of property, plant and equipment       | 3,159,613  | 2,813,979  | 15,998       | 10,909      |
| Property, plant and equipment written off           | 905        | 76,952     | 901          | 1,585       |
| Interest expense                                    | 105,416    | 145,262    | -            | -           |
| Interest income                                     | (163,181)  | (201,730)  | (500,229)    | (423,397)   |
| Dividend income                                     | -          | -          | (22,664,851) | (6,450,000) |
| Profit on disposal of property, plant and equipment | (70,710)   | (400,405)  | -            | -           |
| Unrealised foreign exchange loss                    | 5,658      | 29,164     | -            | -           |
| Provision for retirement benefits                   | 478,446    | 365,580    | -            | -           |
| Taxation  | 3,875,113  | 2,821,757  | 5,153,705    | 882,000     |
|   | 7,391,260  | 5,650,559  | (17,994,476) | (5,978,903) |



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### 24. NET CASH FLOW (USED IN)/GENERATED FROM INVESTING ACTIVITIES

|   | GROUP       |             | COMPANY    |            |
|---|-------------|-------------|------------|------------|
|   | 2002<br>RM  | 2001<br>RM  | 2002<br>RM | 2001<br>RM |
| Purchase of property, plant and equipment               | (2,778,397) | (7,002,850) | (11,521)   | (24,509)   |
| Proceeds from disposal of property, plant and equipment | 124,587     | 400,870     | -          | -          |
| Interest received                                       | 163,181     | 201,730     | 500,229    | 423,397    |
|   | (2,490,629) | (6,400,250) | 488,708    | 398,888    |

### 25. NET CASH FLOW USED IN FINANCING ACTIVITIES

|  | GROUP       |             | COMPANY     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2002<br>RM  | 2001<br>RM  | 2002<br>RM  | 2001<br>RM  |
| Proceeds from issue of shares          | 381,510     | -           | 381,510     | -           |
| Dividends paid                         | (3,482,520) | (3,906,000) | (3,482,520) | (3,906,000) |
| Interest paid                          | (105,416)   | (145,262)   | -           | -           |
| Trade financing facilities repaid      | (170,000)   | (1,187,271) | -           | -           |
| Repayment of term loans                | -           | (34,400)    | -           | -           |
| Repayment of hire purchase liabilities | (3,037)     | (74,074)    | -           | -           |
|  | (3,379,463) | (5,347,007) | (3,101,010) | (3,906,000) |



## 26. CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR

|                              | GROUP       |            | COMPANY    |            |
|------------------------------|-------------|------------|------------|------------|
|                              | 2002<br>RM  | 2001<br>RM | 2002<br>RM | 2001<br>RM |
| Deposits with licensed banks | 3,327,864   | 3,902,813  | 1,650,000  | 1,250,000  |
| Cash and bank balances       | 8,847,943   | 2,709,837  | 3,408,148  | 218,153    |
| Bank overdrafts              | (1,018,484) | (666,820)  | -          | -          |
|                              | 11,157,323  | 5,945,830  | 5,058,148  | 1,468,153  |

The currency exposure profile of deposits with licensed banks, cash and bank balances is as follows:

|                    |            |           |
|--------------------|------------|-----------|
| - Ringgit Malaysia | 11,748,811 | 5,058,148 |
| - Singapore Dollar | 426,996    | -         |
|                    | 12,175,807 | 5,058,148 |

The weighted average interest rate of deposits with licensed banks at 31 December 2002 was 3.2% per annum.

The average tenure to maturity of deposits with licensed banks of the Group and the Company ranges from 17 days to 30 days.

## 27. COMMITMENTS

## (a) Capital commitments

Authorised capital expenditure in respect of purchase of property, plant and equipment not provided for in the financial statements are as follows:

|                    | GROUP      |            | COMPANY    |            |
|--------------------|------------|------------|------------|------------|
|                    | 2002<br>RM | 2001<br>RM | 2002<br>RM | 2001<br>RM |
| Contracted for     | 5,068,998  | 51,000     | -          | -          |
| Not contracted for | 9,003,354  | 5,803,670  | 18,000     | 3,008,000  |





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27. COMMITMENTS (CONTINUED)

(b) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

|   | GROUP      |            |
|---|------------|------------|
|   | 2002<br>RM | 2001<br>RM |
| Not later than 1 year                       | 1,379,325  | 1,139,494  |
| Later than 1 year and no later than 5 years | 961,976    | 553,977    |
|   | 2,341,301  | 1,693,471  |

28. CONTINGENT LIABILITIES (UNSECURED)

|  | COMPANY    |            |
|--|------------|------------|
|  | 2002<br>RM | 2001<br>RM |
| Corporate guarantees in respect of credit facilities<br>utilised by subsidiaries | 2,735,152  | 4,154,422  |

29. SEGMENT REPORTING

The Group is organised into two main business segments:

- Manufacturing of pharmaceutical products
- Retailing and distribution of pharmaceutical products

Inter-segment revenue comprise sales of pharmaceutical products from manufacturing to retailing and distribution segments and gross dividends and management service fees received from the two main business segments.



29. SEGMENT REPORTING (CONTINUED)

(a) Business segments

|   | Manufacturing<br>RM | Retailing and<br>distribution<br>RM | Investment<br>holding<br>RM | Group<br>RM  |
|---|---------------------|-------------------------------------|-----------------------------|--------------|
| <b>2002</b>                                   |                     |                                     |                             |              |
| <b>Revenue</b>                                |                     |                                     |                             |              |
| Total revenue                                 | 38,252,153          | 133,402,432                         | 23,285,806                  | 194,940,391  |
| Inter-segment revenue                         | (14,155,257)        | -                                   | (23,285,806)                | (37,441,063) |
| External revenue                              | 24,096,896          | 133,402,432                         | -                           | 157,499,328  |
| <b>Results</b>                                |                     |                                     |                             |              |
| Segment results (external)                    | 9,849,598           | 4,666,327                           | (1,267,048)                 | 13,248,877   |
| Finance costs                                 | (15,137)            | (90,255)                            | (24)                        | (105,416)    |
| Profit from ordinary<br>activities before tax | 9,834,461           | 4,576,072                           | (1,267,072)                 | 13,143,461   |
| Tax   | (2,389,402)         | (1,499,162)                         | 13,451                      | (3,875,113)  |
| Net profit for the financial year             | 7,445,059           | 3,076,910                           | (1,253,621)                 | 9,268,348    |
| <b>Other information</b>                      |                     |                                     |                             |              |
| Segment assets                                | 38,303,025          | 63,764,664                          | 5,265,647                   | 107,333,336  |
| Unallocated assets                            | -                   | -                                   | -                           | 128,828      |
| Total assets                                  | 38,303,025          | 63,764,664                          | 5,265,647                   | 107,462,164  |
| Segment liabilities                           | (3,983,896)         | (22,565,530)                        | (394,687)                   | (26,944,113) |
| Unallocated liabilities                       | -                   | -                                   | -                           | (3,588,009)  |
| Total liabilities                             | (3,983,896)         | (22,565,530)                        | (394,687)                   | (30,532,122) |
| Capital expenditure                           | 1,268,875           | 1,497,999                           | 11,523                      | 2,778,397    |
| Depreciation and amortisation                 | 1,969,103           | 1,174,512                           | 15,998                      | 3,159,613    |



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## notes to the financial statements (continued)

### 29. SEGMENT REPORTING (CONTINUED)

#### (a) Business segments (continued)

|   | Manufacturing<br>RM | Retailing and<br>distribution<br>RM | Investment<br>holding<br>RM | Group<br>RM  |
|---|---------------------|-------------------------------------|-----------------------------|--------------|
| <b>2001</b>                                   |                     |                                     |                             |              |
| <b>Revenue</b>                                |                     |                                     |                             |              |
| Total revenue                                 | 33,647,169          | 115,709,285                         | 7,011,107                   | 156,367,561  |
| Inter-segment revenue                         | (12,745,048)        | -                                   | (7,011,107)                 | (19,756,155) |
| External revenue                              | 20,902,121          | 115,709,285                         | -                           | 136,611,406  |
| <b>Results</b>                                |                     |                                     |                             |              |
| Segment results (external)                    | 8,325,747           | 3,847,763                           | (910,178)                   | 11,263,332   |
| Finance costs                                 | (60,410)            | (113,779)                           | -                           | (174,189)    |
| Profit from ordinary<br>activities before tax | 8,265,337           | 3,733,984                           | (910,178)                   | 11,089,143   |
| Tax   | (1,243,047)         | (1,529,430)                         | (49,280)                    | (2,821,757)  |
| Net profit for the<br>financial year          | 7,022,290           | 2,204,554                           | (959,458)                   | 8,267,386    |
| <b>Other information</b>                      |                     |                                     |                             |              |
| Segment assets                                | 38,640,782          | 54,037,970                          | 1,501,832                   | 94,180,584   |
| Unallocated assets                            | -                   | -                                   | -                           | 66,122       |
| Total assets                                  | 38,640,782          | 54,037,970                          | 1,501,832                   | 94,246,706   |
| Segment liabilities                           | (3,791,016)         | (16,088,009)                        | (211,084)                   | (20,090,109) |
| Unallocated liabilities                       | -                   | -                                   | -                           | (3,556,819)  |
| Total liabilities                             | (3,791,016)         | (16,088,009)                        | (211,084)                   | (23,646,928) |
| Capital expenditure                           | 5,310,637           | 1,667,703                           | 24,509                      | 7,002,849    |
| Depreciation and amortisation                 | 1,676,181           | 1,126,889                           | 10,909                      | 2,813,979    |

Inter-segment revenue is based on agreed prices within the Group.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash and exclude tax recoverable. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment.



## 29. SEGMENT REPORTING (CONTINUED)

## (b) Geographical segments

The Group's business segments are operated in two main geographical areas:

- Malaysia – manufacturing, retail and distribution of pharmaceutical products.
- Singapore – marketing and distribution of pharmaceutical products.

|                       | REVENUE     |             | TOTAL ASSETS |            | CAPITAL EXPENDITURE |            |
|-----------------------|-------------|-------------|--------------|------------|---------------------|------------|
|                       | 2002<br>RM  | 2001<br>RM  | 2002<br>RM   | 2001<br>RM | 2002<br>RM          | 2001<br>RM |
| Malaysia              | 151,597,897 | 132,507,211 | 105,300,433  | 93,057,518 | 2,767,257           | 6,999,619  |
| Singapore             | 9,592,835   | 6,981,198   | 2,032,903    | 1,123,066  | 11,140              | 3,230      |
|                       | 161,190,732 | 139,488,409 | 107,333,336  | 94,180,584 | 2,778,397           | 7,002,849  |
| Inter-segment revenue | (3,691,404) | (2,877,003) | -            | -          |                     |            |
| Unallocated assets    | -           | -           | 128,828      | 66,122     |                     |            |
|                       | 157,499,328 | 136,611,406 | 107,462,164  | 94,246,706 |                     |            |

In determining the geographical segments of the Group, sales are based in the country in which the customer is located. Total assets and capital expenditure are determined based on where the assets are located.

## 30. SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, other related party information is set out below.

|   | GROUP      |            |
|---|------------|------------|
|   | 2002<br>RM | 2001<br>RM |
| <b>With Grafton Pharmasia Pte Ltd:</b>    |            |            |
| - sale of goods                           | 5,738,770  | 4,104,285  |
| - purchase of goods                       | 2,364,147  | 2,672,136  |
| <b>With Grafton Laboratories Pte Ltd:</b> |            |            |
| - royalties payable                       | 219,195    | 79,572     |



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### 30. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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 Apex Healthcare Berhad. The transactions with these companies are conducted in accordance with the general mandate obtained from shareholders for recurrent related party transactions.

### 31. FINANCIAL INSTRUMENTS

In addition to financial instrument disclosures elsewhere in the financial statements, other information on financial instruments is set out below:

#### (a) Forward foreign exchange contracts

Forward foreign exchange contracts are entered into by subsidiaries in currencies other than their functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

At 31 December 2002, the settlement dates on forward contracts approximate five months. The foreign currency amounts to be received and contractual exchange rates of the Group's outstanding contracts are as follows:

| Hedged item                      | Currency to be received | Currency to be paid | RM equivalent | Contractual rate |
|----------------------------------|-------------------------|---------------------|---------------|------------------|
| Trade receivables<br>SGD 694,705 | SGD                     | RM                  | 1,495,783     | 2.15             |

#### (b) Fair values

The carrying amounts of financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values.

### 32. SUBSEQUENT EVENT

On 13 March 2003, the Securities Commission approved the Company's corporate proposals comprising the following:

- (a) Proposed bonus issue of up to 23,870,000 new ordinary shares of RM1 each in the Company credited as fully paid on the basis of one (1) bonus share for every two (2) existing ordinary shares of RM1 each in the Company by way of capitalisation from the share premium and retained profits of the Company and
- (b) Proposed transfer of the listing of and quotation for the entire enlarged issued and paid up share capital of the Company from the Second Board to the Main Board of the Kuala Lumpur Stock Exchange.

## list of properties



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| REGISTERED OWNER<br>& ADDRESS  | LAND AREA<br>sq.metres | BUILT-UP<br>AREA<br>sq.metres | EXISTING USE/<br>DESCRIPTION  | TENURE/<br>(EXPIRY DATE)<br>AGE OF BUILDING | NET BOOK<br>VALUE AS AT<br>31/12/02 | DATE OF LAST<br>REVALUATION/<br>ACQUISITION |
|--|------------------------|-------------------------------|---|---|-------------------------------------|---|
| APEX PHARMACY SDN BHD  |                        |                               |   |   |                                     |   |
| 1 Unit No. F120<br>First Floor, Holiday Plaza,<br>Jalan Dato' Sulaiman,<br>Century Garden,<br>Johor Bahru,<br>Johor Darul Takzim | -                      | 159                           | Leased /<br>1 parcel of<br>commercial space<br>located on the<br>1st floor of<br>Holiday Plaza                                | Freehold /<br>-<br>18 years old             | 864,800                             | Revalued -<br>Jan 2000                      |
| 2 Unit Nos. B5 & B6<br>Level 1, Block B,<br>Pusat Bandar Damansara,<br>Jalan Damanlela,<br>Kuala Lumpur                          | -                      | 250                           | Pharmacy outlet /<br>2 units of<br>intermediate<br>shoplots   | Freehold /<br>-<br>18 years old             | 1,316,000                           | Revalued -<br>Jan 2000                      |
| 3 Lot No. 99,<br>Town Area XXXVIII (38),<br>District of Melaka Tengah,<br>Melaka   | 156                    | 272                           | Vacant /<br>2- storey<br>shophouse  | Leasehold /<br>(exp. 2075)<br>28 years old  | 180,400                             | Revalued -<br>Jan 2000                      |
| 4 Lot No. 564, 569 & 571<br>Town Area XIX (19)<br>District of Melaka Tengah,<br>Melaka   | 130                    | 330                           | Pharmacy outlet /<br>3- storey<br>shophouse   | Freehold /<br>-<br>38 years old             | 440,400                             | Revalued -<br>Jan 2000                      |
| 5 Unit No. 48<br>Erected on Lot No. PT 1718<br>Town Area XXI (21)<br>District of Melaka Tengah,<br>Melaka                        | 137                    | 603                           | Warehouse<br>cum office /<br>4 1/2 - storey<br>shop office  | Leasehold /<br>(exp. 2084)<br>12 years old  | 713,864                             | Revalued -<br>Jan 2000                      |
| 6 Lot No. PT 1889, 1890 &<br>1891,<br>Town of Bandar Sunway<br>District of Petaling<br>Selangor Darul Ehsan                      | 775                    | 829                           | Warehouse /<br>2 adjoining<br>intermediate units<br>& 1 corner unit of<br>1 1/2 storey light<br>industrial<br>terrace factory | Leasehold /<br>(exp. 2096)<br>11 years old  | 1,351,757                           | Revalued -<br>Jan 2000                      |



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## list of properties (continued)

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| REGISTERED OWNER<br>& ADDRESS  | LAND AREA<br>sq.metres | BUILT-UP<br>AREA<br>sq.metres | EXISTING USE/<br>DESCRIPTION  | TENURE/<br>(EXPIRY DATE)<br>AGE OF BUILDING | NET BOOK<br>VALUE AS AT<br>31/12/02 | DATE OF LAST<br>REVALUATION/<br>ACQUISITION |
|--|------------------------|-------------------------------|---|---|-------------------------------------|---|
| 7 Unit No. H-G-33 (D)<br>AH - 106,<br>Batu Kawah New Township,<br>Jalan Batu Kawa, Kuching,<br>Sarawak                                 | 98                     | 98                            | Warehouse /<br>Ground Floor,<br>Block H,<br>Commercial (D)<br>Plot 14               | Leasehold /<br>(exp. 2058)<br>2 years old   | 204,649                             | Acquired -<br>Jan 2001                      |
| 8 Unit No. H-G-33A (F1)<br>AH - 107,<br>Batu Kawah New Township,<br>Jalan Batu Kawa, Kuching,<br>Sarawak                               | 127                    | 127                           | Warehouse<br>cum office /<br>Ground Floor,<br>Block H,<br>Commercial (D)<br>Plot 14 | Leasehold /<br>(exp. 2058)<br>2 years old   | 338,236                             | Acquired -<br>Aug 2001                      |
| XEPA-SOUL PATTINSON (MALAYSIA) SDN BHD   |                        |                               |   |   |                                     |   |
| 9 Lot Nos. PT 1375, 1376 &<br>1377, Mukim of Bertam,<br>District of Melaka Tengah,<br>Melaka<br>(Cheng Industrial Estate<br>- Phase 1) | 29,264                 | 9,427                         | Factory Complex /<br>1 1/2 - storey<br>Factory Building                             | Leasehold /<br>(exp. 2096)<br>10 years old  | 12,705,573                          | Revalued -<br>Jan 2000                      |
| 10 Lot Nos. PT 1374<br>Mukim of Bertam,<br>District of Melaka Tengah,<br>Melaka<br>(Cheng Industrial Estate<br>- Phase 1)              | 9,698                  | -                             | Car park  | Leasehold /<br>(exp. 2096)                  | 1,365,657                           | Acquired -<br>June 2000                     |
|  | 40,384                 | 12,094                        |   |   | 19,481,337                          |   |

### Revaluation Policy:

Properties are revalued once every five (5) years as from Year 2000 by an independent firm of qualified valuers.



## analysis of shareholdings



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Authorised Share Capital : RM100,000,000  
 Issued and Fully Paid-up Capital : RM43,557,000  
 Class of Shares : Ordinary Shares of RM1.00 each  
 Voting Rights : 1 Vote per Ordinary Share

### ANALYSIS OF SHAREHOLDINGS as at 24 March 2003

| CATEGORY            | NO. OF HOLDERS |         | NO. OF SHARES |           | PERCENTAGE (%) |         |
|---------------------|----------------|---------|---------------|-----------|----------------|---------|
|                     | Malaysian      | Foreign | Malaysian     | Foreign   | Malaysian      | Foreign |
| 1 - 99              | 0              | 0       | 0             | 0         | 0              | 0       |
| 100 - 1,000         | 1,285          | 13      | 1,285,000     | 13,000    | 2.95           | 0.03    |
| 1,001 - 10,000      | 828            | 17      | 3,041,000     | 103,000   | 6.98           | 0.24    |
| 10,001 - 100,000    | 70             | 4       | 1,977,000     | 113,000   | 4.54           | 0.26    |
| 100,001 - 2,177,849 | 14             | 1       | 5,956,865     | 210,000   | 13.67          | 0.48    |
| 2,177,850 and above | 2              | 1       | 23,262,708    | 7,597,427 | 53.41          | 17.44   |
| Total               | 2,199          | 36      | 35,522,573    | 8,034,427 | 81.55          | 18.45   |

### TOP 30 SHAREHOLDERS as at 24 March 2003

| NO. | NAME OF SHAREHOLDERS   | NO. OF SHARES HELD | PERCENTAGE (%) |
|-----|--|--------------------|----------------|
| 1.  | Apex Pharmacy Holdings Sdn Bhd   | 17,375,604         | 39.89          |
| 2.  | Washington H. Soul Pattinson and Company Limited   | 7,211,427          | 16.56          |
| 3.  | Bank Pembangunan dan Infrastruktur Malaysia Berhad   | 1,348,334          | 3.10           |
| 4.  | Bank Pembangunan dan Infrastruktur Malaysia Berhad   | 1,313,333          | 3.02           |
| 5.  | Bank Pembangunan dan Infrastruktur Malaysia Berhad   | 1,313,333          | 3.02           |
| 6.  | Amanah Raya Nominees (Tempatan) Sdn Bhd<br><i>Qualifier: Skim Amanah Saham Bumiputera</i>  | 1,202,478          | 2.76           |
| 7.  | HSBC Nominees (Tempatan) Sdn Bhd<br><i>Qualifier: HSBC (M) Trustee Bhd<br/>for OSK-UOB Small Cap Opportunity Unit Trust (3548)</i> | 1,137,000          | 2.61           |
| 8.  | Bank Pembangunan dan Infrastruktur Malaysia Berhad   | 992,104            | 2.28           |
| 9.  | Bank Pembangunan dan Infrastruktur Malaysia Berhad   | 915,000            | 2.10           |
| 10. | AMMB Nominees (Tempatan) Sdn Bhd<br><i>Qualifier: AMTrustee Berhad for Pacific Pearl Fund (5/1-9)</i>                              | 639,000            | 1.47           |



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## analysis of shareholdings (continued)

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| NO.   | NAME OF SHAREHOLDERS  | NO. OF SHARES HELD | PERCENTAGE (%) |
|-------|---|--------------------|----------------|
| 11.   | Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd<br><i>Qualifier: Bumiputra-Commerce Trustee Berhad<br/>for Pacific Dana Aman (3717-TRO1)</i> | 613,000            | 1.41           |
| 12.   | Md Ali bin Md Dewal   | 428,739            | 0.98           |
| 13.   | Washington H. Soul Pattinson and Company Limited  | 384,000            | 0.88           |
| 14.   | BHLB Trustee Berhad<br><i>Qualifier: Pacific Recovery Fund</i>  | 331,000            | 0.76           |
| 15.   | Rosina binti Aladad Khan  | 300,000            | 0.69           |
| 16.   | Bumiputra-Commerce Trustee Berhad<br><i>Qualifier: Amanah Saham Darul Iman</i>  | 290,000            | 0.67           |
| 17.   | Employees Provident Fund Board  | 218,000            | 0.50           |
| 18.   | Kee Kirk Chin   | 210,000            | 0.48           |
| 19.   | Tan Yan Meng Warren   | 200,000            | 0.46           |
| 20.   | Tengku Puan Nor Sa'adah binti Al-Marhum Sultan Sulaiman Shah  | 182,648            | 0.42           |
| 21.   | Lai Man Sik   | 140,000            | 0.32           |
| 22.   | Ahmad Kamal bin Md. Alif  | 140,000            | 0.32           |
| 23.   | Teoh Choon Neo @ Ivy Teoh Choon Neo   | 100,000            | 0.23           |
| 24.   | TCL Nominees (Tempatan) Sdn Bhd<br><i>Qualifier: OCBC Securities Private Limited<br/>for Chan Leong Cheng</i>                               | 100,000            | 0.23           |
| 25.   | Ki Tak Sang @ Kee Tak Sang  | 100,000            | 0.23           |
| 26.   | Intiteguh Sdn Bhd   | 81,000             | 0.19           |
| 27.   | Chong Fa @ Chong Nam Yen  | 79,000             | 0.18           |
| 28.   | Chia Ting Poh @ Cheah Ting Poh  | 79,000             | 0.18           |
| 29.   | Thee Ngah @ Tee Khay Chaow  | 68,000             | 0.16           |
| 30.   | Mohamed Said bin Ibrahim  | 67,000             | 0.15           |
| TOTAL |   | 37,559,000         | 86.23          |

SUBSTANTIAL SHAREHOLDERS AS AT 24 MARCH 2003  
(per Register of Substantial Shareholders)

| SHAREHOLDERS                                       | DIRECT                    |       | INDIRECT                  |       |
|--|---------------------------|-------|---------------------------|-------|
|  | No. of<br>ordinary shares | %     | No. of<br>ordinary shares | %     |
| Apex Pharmacy Holdings Sdn Bhd                     | 17,380,604                | 39.90 | -                         | -     |
| Washington H. Soul Pattinson and Company Limited   | 7,595,427                 | 17.44 | -                         | -     |
| Bank Pembangunan dan Infrastruktur Malaysia Berhad | 5,882,104                 | 13.50 | -                         | -     |
| Xepa Holdings Sdn Bhd                              | 25,000                    | 0.06  | 17,380,604 <sup>(1)</sup> | 39.90 |
| United Medicorp Pte Ltd                            | -                         | -     | 17,380,604 <sup>(1)</sup> | 39.90 |
| Apex Holdings (Pte) Ltd                            | -                         | -     | 17,405,604 <sup>(1)</sup> | 39.96 |
| Xepa Holdings Pte Ltd                              | -                         | -     | 17,405,604 <sup>(1)</sup> | 39.96 |
| Kee Tah Peng @ Hee Teck Peng                       | 56,000                    | 0.13  | 17,405,604 <sup>(1)</sup> | 39.96 |
| Dr Kee Kirk Chin                                   | 210,000                   | 0.48  | 17,405,604 <sup>(1)</sup> | 39.96 |
| Yang Liew Fang                                     | -                         | -     | 17,405,604 <sup>(1)</sup> | 39.96 |
| Kee Kirk Chuen                                     | 20,000                    | 0.05  | 17,405,604 <sup>(1)</sup> | 39.96 |
| Dr Kee Loo   | -                         | -     | 17,405,604 <sup>(1)</sup> | 39.96 |
| United Engineers Limited                           | -                         | -     | 17,380,604 <sup>(1)</sup> | 39.90 |

Notes:

(1) Deemed interest by virtue of Section 6A of the Companies Act, 1965.



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## analysis of shareholdings (continued)

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### DIRECTORS' SHAREHOLDINGS AS AT 24 MARCH 2003 (per Register of Directors' Shareholdings)

| NAME OF DIRECTORS  | DIRECT                    |      | INDIRECT                  |       |
|--|---------------------------|------|---------------------------|-------|
|  | No. of<br>ordinary shares | %    | No. of<br>ordinary shares | %     |
| Kee Tah Peng @ Hee Teck Peng                                   | 56,000                    | 0.13 | 17,405,604 <sup>(1)</sup> | 39.96 |
| Dr Kee Kirk Chin   | 210,000                   | 0.48 | 17,405,604 <sup>(1)</sup> | 39.96 |
| Ki Tak Sang @ Kee Tak Sang                                     | 110,000                   | 0.25 | -                         | -     |
| Jackson Chevalier Yap-Kit-Siong                                | 10,000 <sup>(2)</sup>     | 0.02 | -                         | -     |
| Robert Dobson Millner  | 10,000                    | 0.02 | -                         | -     |
| Peter Raymond Robinson<br>(alternate to Robert Dobson Millner) | 10,000                    | 0.02 | -                         | -     |
| Mohd Ramli Bin Samian  | 10,000 <sup>(2)</sup>     | 0.02 | -                         | -     |
| Leong Khai Cheong  | 10,000                    | 0.02 | -                         | -     |
| Md Ali Bin Md Dewal  | 428,739                   | 0.98 | -                         | -     |
| Dr Ahmad Kamal Bin Md Alif                                     | 140,000                   | 0.32 | -                         | -     |

#### Notes:

(1) Deemed interest by virtue of Section 6A of the Companies Act, 1965.

(2) Held through nominee company.



Cheah Siu Hean  
41 Jalan Ulu Kelang  
68000 Ampang  
Malaysia

31<sup>st</sup> March 2003

The Board of Directors  
Apex Healthcare Berhad  
134/2 Kompleks Perniagaan Munshi Abdullah  
Jalan Munshi Abdullah  
75000 Melaka  
Malaysia

Dear Sirs

**NOTICE OF NOMINATION OF MESSRS ERNST & YOUNG AS AUDITORS**

Pursuant to section 172(11) of the Companies Act, 1965, I being a shareholder of the Company, hereby give notice of my intention to nominate Messrs Ernst & Young for appointment as auditors of the company in place of the retiring auditors, Messrs PricewaterhouseCoopers and propose that the following resolution be passed at the next Annual General Meeting:

*“THAT Messrs Ernst & Young, having consented to act, be and are hereby appointed Auditors of the Company in place of the retiring auditors Messrs PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given for the Directors to determine their remuneration.”*

Yours faithfully

CHEAH SIU HEAN

cc Ernst & Young  
Level 23A Menara Melinium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur.



Apex Healthcare Berhad  
[473108-T]

2002  
Annual Report

pg. 80



## Restoring health...

For decades, Xepa-Soul Pattinson has been actively yet subtly establishing itself as a major provider of pharmaceutical needs.

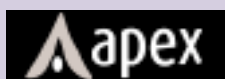
Putting together ideas, people and technology to build healthy relationships with customers and business partners to restore health around the world.



Xepa-Soul Pattinson

Registered Office:  
Xepa-Soul Pattinson (Malaysia) Sdn Bhd, 11-12, Jalan Puncak Jalil, 46100 Petaling Jaya, Selangor. Tel: 03-6333 1215 Fax: 03-6333 1029  
www.xsp.com.my

# form of proxy



**APEX HEALTHCARE BERHAD** (473108-T)  
(Incorporated in Malaysia)

NO. OF SHARES HELD

CDS ACCOUNT NO.

I/We, \_\_\_\_\_ NRIC/Company No. \_\_\_\_\_  
(PLEASE USE BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

being a member/members of APEX HEALTHCARE BERHAD hereby appoint

\_\_\_\_\_ of \_\_\_\_\_

or failing him, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company to be held at Bunga Raya Ballroom 1, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Wednesday 21 May 2003 at 10.30 a.m. and at any adjournment thereof on the following resolutions referred to in the Notice of Annual General Meeting.

My/Our proxy is to vote as indicated below:-

| RESOLUTIONS  | *FOR | *AGAINST |
|--|------|----------|
| 1. To receive and adopt the Statutory Financial Statements for the financial year ended 31 December 2002 together with the Directors' and Auditors' Reports thereon. |      |          |
| 2. To declare a final dividend of 5 sen gross per share less tax for the financial year ended 31 December 2002   |      |          |
| 3. To approve the payment of Directors' fees for the financial year ended 31 December 2002   |      |          |
| 4. To re-elect Robert Dobson Millner retiring in accordance with Article 89 of the Company's Articles of Association   |      |          |
| 5. To re-elect Ki Tak Sang @ Kee Tak Sang retiring in accordance with Article 89 of the Company's Articles of Association  |      |          |
| 6. To re-elect Jackson Chevalier Yap-Kit-Siong retiring in accordance with Article 89 of the Company's Articles of Association                                       |      |          |
| 7. To re-appoint Kee Tah Peng @ Hee Teck Peng retiring in accordance with Section 129 of the Companies Act, 1965   |      |          |
| 8. To appoint Messrs Ernst & Young in place of Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration      |      |          |

\*Please indicate with an "X" in the appropriate spaces on how you wish your vote to be cast. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2003.

Signature of Member(s) or Common Seal

## NOTES:

- A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies, and in the case of a corporation, a duly authorised representative to attend and vote in his stead.
- A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.
- Pursuant to paragraph 7.22 of the Listing Requirements of Kuala Lumpur Stock Exchange, where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least

one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Please indicate the securities account number where applicable.

- The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 134/2, Kompleks Perniagaan Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.



The Company Secretaries  
**Apex Healthcare Berhad** (473108-T)  
134/2, Kompleks Perniagaan Munshi Abdullah  
Jalan Munshi Abdullah  
75100 Melaka

Affix  
Stamp

# directory of distribution depots

Apex Pharmacy Marketing Sdn Bhd

|    | DISTRIBUTION DEPOTS   | TEL. NO.                                    | FAX. NO.   | CONTACT PERSON   |
|----|---|---|--|--|
| 1. | <b>BANDAR SUNWAY</b><br>24-30, Jalan PJS 11/5<br>Bandar Sunway<br>46150 Petaling Jaya<br>Selangor D.E.      | 03-5636 2892/3/4 (SO)<br>03-5636 2929 (GEN) | 03-5633 4795 (SO)<br>03-5635 3033 (MKT)<br>03-5632 1622 (HQ) | Mr Tan Hing Tai - General Manager/Director<br>Ms Lee Siew Bee - Finance Manager<br>Mr Lim Ein Heng - Senior Branch Manager<br>Mr Then Tat Ying - Marketing Manager |
| 2. | <b>IPOH</b><br>2-4, Medan Bendahara 2<br>Medan Bendahara<br>31650 Ipoh, Perak                               | 05-254 5833<br>05-253 6307                  | 05-253 2212  | Mr Choong Foo Peng -Senior Branch Manager  |
| 3. | <b>MALACCA</b><br>134/1, Kompleks Perniagaan<br>Munshi Abdullah<br>Jalan Munshi Abdullah<br>75100 Melaka    | 06-282 2168<br>06-282 8695                  | 06-283 7704  | Mr Tan Teck Beng - Senior Branch Manager   |
| 4. | <b>SEREMBAN</b><br>32, Jalan Dato' Sheikh Ahmad<br>70000 Seremban<br>Negeri Sembilan                        | 06-764 2810                                 | 06-767 0327  |  |
| 5. | <b>JOHOR BAHRU</b><br>21, Jalan Permas 9/12<br>Bandar Baru Permas Jaya<br>81750 Masai<br>Johor Bahru, Johor | 07-386 2440/2449                            | 07-386 2771  | Ms Yong May Ken - Branch Manager   |
| 6. | <b>KOTA BHARU</b><br>PT 533/A & 534/A<br>Taman Murni<br>Jalan Pengkalan Chepa<br>16100 Kota Bharu, Kelantan | 09-774 3666                                 | 09-774 1118  | Mr Lau Ah Tee - Senior Branch Manager  |
| 7. | <b>PENANG</b><br>60, Jalan Masjid Negeri<br>11600 Pulau Pinang  | 04-659 6520/6522                            | 04-659 6521  | Ms Ang Girl Bee - Pharmacist   |
| 8. | <b>KOTA KINABALU</b><br>2, Jalan Pantai<br>88000 Kota Kinabalu<br>Sabah                                     | 088-255 100                                 | 088-210 222  | Ms Chan Jit Ngo - Branch Manager   |
| 9. | <b>KUCHING</b><br>AH 106-107<br>Batu Kawa New Township<br>Jalan Batu Kawa<br>92350 Kuching, Sarawak         | 082-451 119/459 398                         | 082-578 418  | Ms Hui Lai Fong - Branch Manager   |