



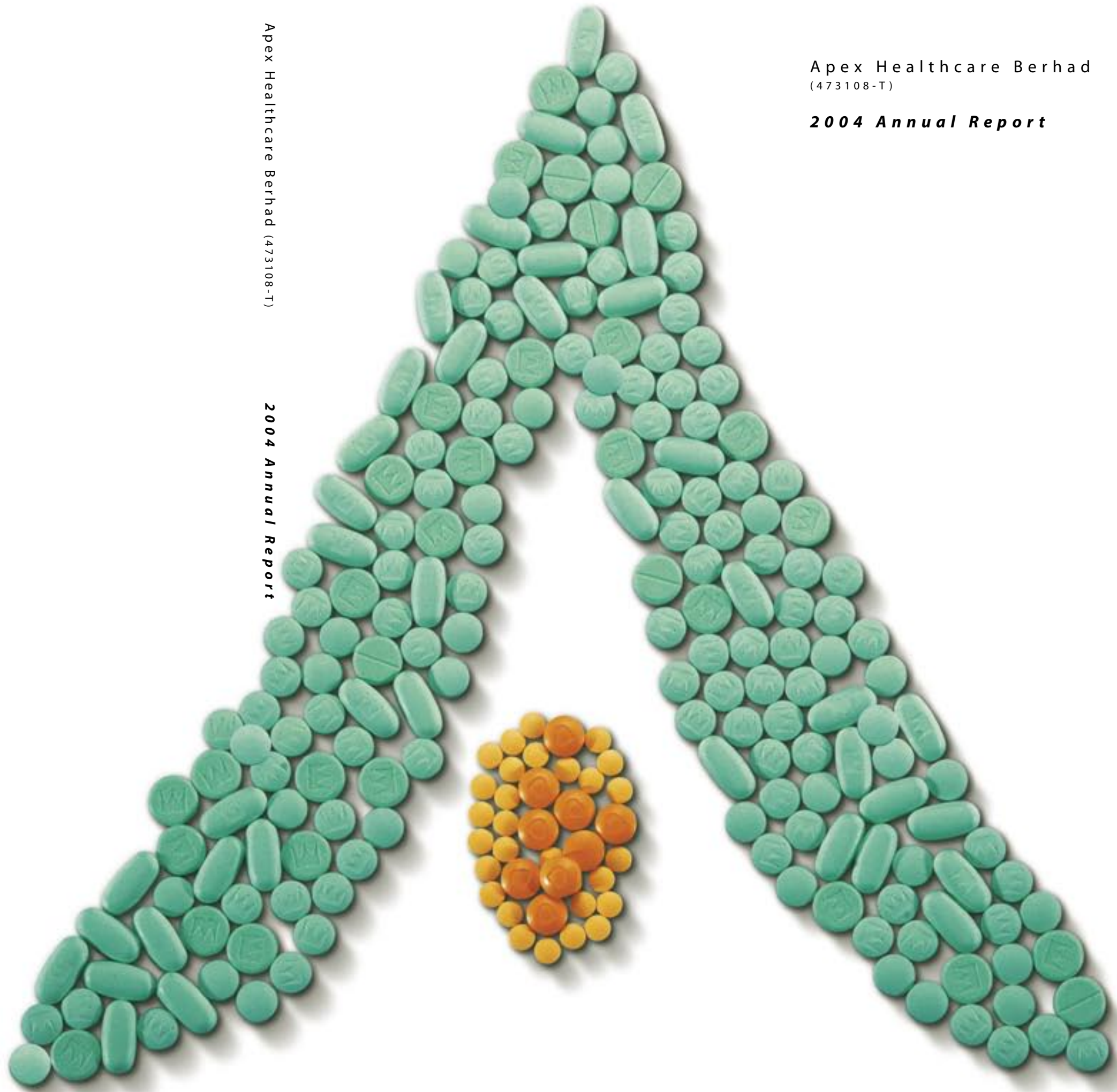
Apex Healthcare Berhad (473108-T)
134/2, Kompleks Perniagaan Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka, Malaysia
Tel: +6 06-2847381 Fax: +6 06-2832140

Apex Healthcare Berhad
(473108-T)

2004 Annual Report

Apex Healthcare Berhad (473108-T)

2004 Annual Report



Directory of Retail Pharmacies

Apex Pharmacy Sdn Bhd

	ADDRESS	TELEPHONE NO.	FAX NO.
	KLANG VALLEY		
1.	Ampang Point Shopping Centre, Lot G03, Ground Floor, Jalan Mamanda 3, 68000 Ampang, Selangor	03-4257 4691	03-4251 0260
2.	B5-B6, Block B, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur	03-2095 7098	03-2093 3964
3.	Tesco Puchong, Lot No. 10, Ground Floor, 148-149, Jalan Bandar 3, Pusat Bandar Puchong, 47100 Puchong, Selangor	03-8076 5670	03-8076 5671
4.	Tesco Mutiara Damansara, Lot No. 18, Ground Floor, No. 8, Jalan PJU 7/4, Mutiara Damansara, 47800 Petaling Jaya, Selangor	03-7725 5717	03-7725 0272
5.	Tesco Klang, Lot No. 18, Ground Floor, No. 3, Jalan Batu Nilam 6/KS6 Bandar Bukit Tinggi, 41200 Klang, Selangor	03-3323 5841	03-3323 5861
6.	Lot 10F, Level 1, Anjung, Block E16, No. 1, Persiaran Perdana, Precinct 1 62000 Putrajaya, Wilayah Persekutuan	03-8889 3228	03-8889 3226
7.	Lot G03 & G04, Ground Floor, Alamanda Putrajaya Shopping Centre 62000 Putrajaya, Wilayah Persekutuan	03-8889 3282	03-8889 3320
8.	Lot F/L1, 3.0, Lobby Floor, First World Hotel, 69000 Genting Highlands, Pahang	03-6436 1180	03-6436 1181
9.	Lot T/G3.00, Lobby Floor, Theme Park Hotel, 69000 Genting Highlands, Pahang	03-6101 3806	03-6101 1458
	PERAK		
10.	Yik Foong Shopping Complex, Lot 11-12, Jalan Laxamana, 30300 Ipoh, Perak	05-253 8655	05-241 1818
	KELANTAN		
11.	789J, Jalan Gajah Mati, 15000 Kota Bahru, Kelantan	09-748 1118	09-744 5118
	NEGERI SEMBILAN		
12.	109, Ground Floor, Jalan Dato Bandar Tunggal, 70000 Seremban, Negeri Sembilan	06-763 8235	06-767 8926
	MELAKA		
13.	83A, Jalan Munshi Abdullah, 75100 Melaka	06-282 5296	06-286 3834
	JOHOR		
14.	24, Jalan Tengku Ahmad, 85000 Segamat, Johor	07-931 9825	07-931 9825
15.	52 & 53, Jalan Jenang, 83000 Batu Pahat, Johor	07-434 1907	07-433 3026
16.	Lot 17-19, Ground Floor, Kompleks Tun Abdul Razak, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor	07-222 6379	07-222 4860
17.	Lot MB-07, Basement 1, City Square Johor Bahru, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor	07-221 6287	07-221 4958
18.	Lot 28, Jusco Permas Jaya, Jalan Permas Utara, Bandar Baru Permas Jaya, 81750 Masai, Johor	07-388 9895	07-388 9896
	SARAWAK		
19.	Unit R122, 1st Floor, Sarawak Plaza, Jalan Tuanku Abdul Rahman, 93100 Kuching, Sarawak	082-413 605	082-234 637
20.	15, Ground Floor, Electra House, 93000 Kuching, Sarawak	082-246 011	082-242 284
	SABAH		
21.	2, Jalan Pantai, 88000 Kota Kinabalu, Sabah	088-255 100	088-210 222



The Apex logo, showing some of the Group's pharmaceutical products.

Contents

Directory of Retail Pharmacies	Inside front
Notice of Annual General Meeting	2
Statement Accompanying Notice of Annual General Meeting	5
Corporate Information	6
Corporate Structure	7
Directors' Information	8
Chairman's Statement	12
Corporate Governance Statement	17
Statement on Internal Control	21
Report of the Audit Committee	23
Report of the Remuneration Committee	28
Report of the Nomination Committee	30
FINANCIAL STATEMENTS	
Directors' Report	34
Statement by Directors	39
Statutory Declaration	39
Report of the Auditors	40
Income Statements	41
Balance Sheets	42
Consolidated Statement of Changes in Equity	43
Company Statement of Changes in Equity	44
Cash Flow Statements	45
Notes to the Financial Statements	47
List of Properties	78
Analysis of Shareholdings	80
Form of Proxy	
Directory of Apex Pharma Distribution Centres	Inside back

Notice of Sixth Annual General Meeting

Notice is hereby given that the Sixth Annual General Meeting ("AGM") of Apex Healthcare Berhad ("AHB") will be held at Bunga Melati Room, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Tuesday, 24th May 2005 at 10.30 a.m.

1. To receive the Statutory Financial Statements for the financial year ended 31 December 2004 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 2004.

Resolution 2

3. To approve the payment of Directors' fees for the financial year ended 31 December 2004.

Resolution 3

4. To re-elect the following Directors retiring in accordance with Article 89 of the Company's Articles of Association:-

- i. Ki Tak Sang @ Kee Tak Sang
- ii. Md Ali bin Md Dewal
- iii. Dr Ahmad Kamal bin Md Alif

Resolution 4

Resolution 5

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 re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration.

Resolution 8

As Special Business:-

To consider and if thought fit, to pass the following resolutions, with or without modifications, as Ordinary Resolutions of the Company:-

7. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES**

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue new shares in the Company at any time, at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

Resolution 9

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WHICH ARE IN THE ORDINARY COURSE OF BUSINESS**

"THAT, subject to the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into the categories of recurrent transactions of a revenue or trading nature as set out in the Circular to Shareholders dated 29th April 2005 with the related parties mentioned therein which are necessary for the AHB Group's day-to-day operations subject further to the following:-

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and on terms not to the detriment of the minority shareholders;
- (b) the transactions are made on an arm's length basis and on normal commercial terms;

AND THAT such approval shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company following the AGM at which such mandate was passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier,

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the shareholders' mandate."

Resolution 10

9. 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 2004, if approved, will be paid on 23rd June 2005. The entitlement date for the payment is 3rd June 2005.

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 3rd June 2005 in respect of ordinary transfer; and

Notice of Sixth Annual General Meeting
(Continued)

- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

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

Melaka
29th April 2005

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 its 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 Bursa Malaysia Securities Berhad, 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.*

EXPLANATORY NOTES UNDER SPECIAL BUSINESS

Resolution 9

This Ordinary Resolution 9 proposed under Agenda 7, if passed, will give the Directors of the Company, from the date of the forthcoming Annual General Meeting, authority to issue and allot ordinary shares from the unissued capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in a General Meeting, will expire at the next Annual General Meeting of the Company.

Resolution 10

This Ordinary Resolution 10 proposed under Agenda 8, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, particulars of which are as set out in the Circular to Shareholders of the Company dated 29th April 2005 despatched together with the Annual Report. This authority, unless revoked or varied by the Company in a General Meeting, will expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice of Annual General Meeting

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 Ki Tak Sang @ Kee Tak Sang, Md Ali bin Md Dewal and Dr Ahmad Kamal bin Md Alif.

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	Feb	May	Aug	Nov	Total
Kee Tah Peng @ Hee Teck Peng	Non-Executive Chairman	•	•	•	•	4
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	Non-Executive Independent Director	•	•	•	•	4

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

Date	Hour	Place
Tuesday, 24th May 2005	10.30 a.m.	Bunga Melati Room, 7th Floor, Renaissance Melaka Hotel Jalan Bendahara 75100 Melaka

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

Details of all directors, including those standing for re-election or re-appointment, will be found on page 8. The securities holdings of directors in the Company are listed on page 82.



Corporate Information

BOARD OF DIRECTORS

Mr Kee Tah Peng @ Hee Teck Peng
Non-Executive Chairman

Dr Kee Kirk Chin
Group Managing Director

Mr Robert Dobson Millner

Mr Ki Tak Sang @ Kee Tak Sang
Executive Director

Mr Leong Khai Cheong

En Md Ali bin Md Dewal

Mr Jackson Chevalier Yap-Kit-Siong

Hj Mohd Ramli bin Samian

Dr Ahmad Kamal bin Md Alif

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

United Overseas Bank (Malaysia) Berhad
1, Jalan PM 5,
Plaza Mahkota,
75000 Melaka

LEGAL ADVISORS

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

SHARE REGISTRARS

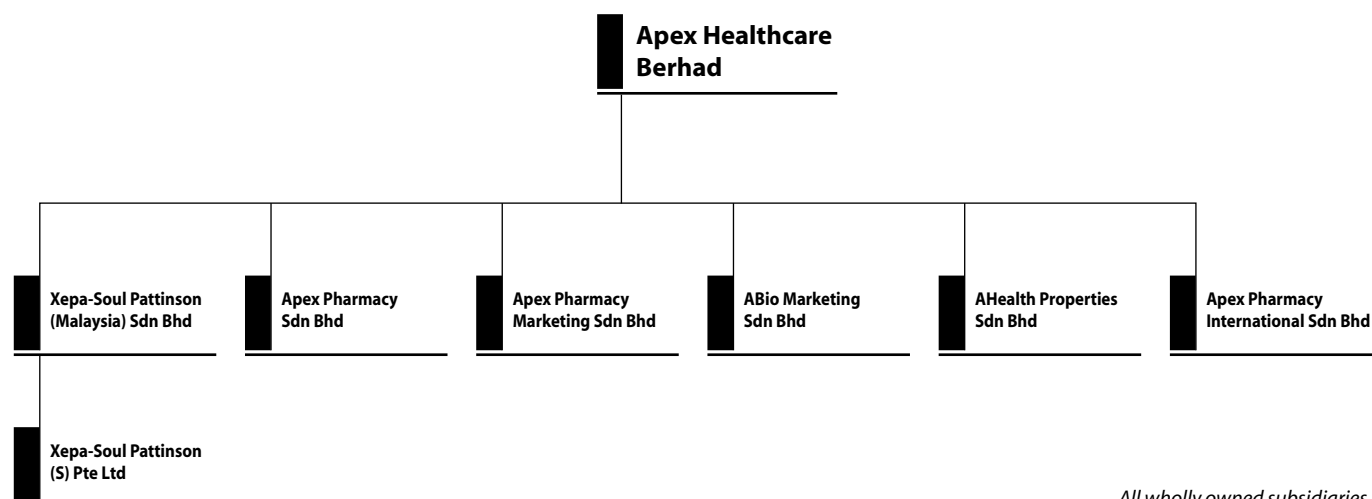
PFA Registration Services Sdn. Bhd.
Level 13, Uptown 1
No. 1, Jalan SS21/58,
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-77254888
Fax: 03-77222311

AUDITORS

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board
Stock Code: 7090
Stock Name: AHEALTH

Corporate Structure

All wholly owned subsidiaries

Directors' Information

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

KEE TAH PENG @ HEE TECK PENG

Non-Executive Chairman

Kee Tah Peng @ Hee Teck Peng, 74, 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 39.3% equity in the Company. Save as disclosed above and in the attached 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 2004. He has had no convictions for any offences within the past 10 years.

DR KEE KIRK CHIN

Group Managing Director

Dr. Kee Kirk Chin, 43, 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 a non-executive director of Raffles Investments Limited and Times Publishing Limited, which are incorporated in Singapore, and PharmAust Limited, a company listed on the Australian Stock Exchange.

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 39.3% equity in the Company. Save as disclosed above and in the attached 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 2004. He has had no convictions for any offences within the past 10 years.

KI TAK SANG @ KEE TAK SANG

Executive Director

Ki Tak Sang @ Kee Tak Sang, PJK, JP, 61, 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 is 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

Directors' Information

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

(Continued)

Bhd, a company listed on the Main Board of the Bursa Malaysia Securities Berhad. 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 39.3% equity in the Company. Save as disclosed above and in the attached 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 2004. He has had no convictions for any offences within the past 10 years.

ROBERT DOBSON MILLNER

Non-Executive Director

Robert Dobson Millner, 54, an Australian, was appointed as a Non-Executive Director of the Company on 23rd February 2000 and is currently the Chairman of the Nomination Committee. 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, Milton Corporation Limited, New Hope Corporation Limited, and Director on the Boards of Australian Pharmaceutical Industries Limited, Pacific Strategic Investments 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 17.0% 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 all of the four Board Meetings held in the financial year ended 31st December 2004. 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, 53, a Singaporean, was appointed as a Non-Executive Director of the Company on 15th February 2000. He is currently the Chairman of the Remuneration Committee. 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, as Chief Operating Officer, United Engineers Limited ("UEL"), 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 39.3% equity in the Company. Save as disclosed above and in the attached 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 2004. 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 BMSB Listing Requirements

(Continued)

HJ. MOHD RAMLI BIN SAMIAN

Non-Executive Director

Hj. Mohd Ramli bin Samian, 54, a Malaysian, was appointed as a Non-Executive Director of the Company on 25th February 2000 and is currently a member of the Remuneration Committee. 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 2004. He has had no convictions for any offences within the past 10 years.

LEONG KHAI CHEONG

Independent Non-Executive Director

Leong Khai Cheong, 54, 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 a member of the Nomination Committee. 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 Malaysian 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 2004. 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, 64, a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 29th February 2000. He is also a member of the Audit Committee and the Senior Independent Non-Executive 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 currently sits on the Boards of UEM World 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 2004. 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 BMSB Listing Requirements

(Continued)

DR AHMAD KAMAL BIN MD. ALIF

Independent Non-Executive Director

Dr Ahmad Kamal bin Md Alif, 58, a Malaysian, was appointed as Independent Non-Executive Director of the Company on 23rd May 2001. He is a 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. He was a founding partner and Consultant Radiologist with The Southern Hospital, Melaka, where he continues to consult on a locum basis since his retirement in 2004.

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 2004. 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, 52, an Australian, was appointed as an Alternate Director to Mr. Robert Dobson Millner 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 an Executive Director of WHSP, Chairman of Clover Corporation Limited, Keith Harris & Co Ltd and Australian Pharmaceutical Industries Limited and non-executive director of Soul Pattinson Telecommunications Limited and New Hope Corporation Limited all of which are companies listed on the Australian Stock Exchange.

Peter Robinson is a Director of WHSP, which holds 17.0% 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 one of the four Board Meetings held in the financial year ended 31st December 2004. He has had no convictions for any offences within the past 10 years.



Chairman's Statement

It is with pleasure that I report on behalf of the Board of Directors another profitable year for Apex Healthcare Berhad. This year has been most eventful for the Group in terms of corporate activity.



In the financial year ended 31 December 2004, Apex Healthcare Group's revenue was RM 188.8 million and profit before tax was RM 13.7 million. Core manufacturing and distribution activities continue to perform well. However, Group profitability was affected by the difficult trading conditions in the pharmaceutical retail division, the planned divestment of which could not be completed as regulatory authorities did not grant approval. Steps have been implemented to turn the division around.

DIVIDEND

The Board of Directors is pleased to recommend a final dividend of 5 sen gross per share less tax. An interim dividend of 4.75 sen gross per share less tax was paid on 12th October 2004.

SHAREHOLDERS' MANDATE

Shareholders renewed the mandate for recurrent related party transactions of a revenue or trading nature at the 2004 Annual General Meeting held on Wednesday 19th May 2004.

As required by Part E Chapter 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company will seek renewal of the shareholders'

mandate at the 2005 Annual General Meeting. The mandate will cover the distribution agreements between certain of the Company's subsidiaries and Grafton Pharmasia Pte Ltd, Grafton Laboratories Pte Ltd and PharmAust Manufacturing Pty Ltd. Further details will be found in the Circular accompanying this Annual Report

INDUSTRY TRENDS

Over the next few years, the Association of South East Asian Nations expects to dismantle trade barriers and tariffs under the ASEAN Free Trade Area ("AFTA") arrangement. The outlook for the global economy remains cautiously optimistic. It is expected that the Malaysian economy will continue expanding in 2005. Initially led by strong exports, economic growth has been driven by robust private consumption amid rising consumer lending, higher proceeds from commodity exports, low unemployment and strengthened confidence

In Ringgit terms, the estimated 19% growth rate in 2004 for pharmaceuticals is the highest since 1995 in Malaysia. This is attributed to strong sales of newly launched patented products by multinational pharmaceutical companies. Nevertheless, existing well-established proprietary products also contributed to growth. This bodes well for the Group's core businesses.

The Group continues to foresee opportunities in both the domestic and export markets for its products and will continue its efforts to improve the efficiencies of the Group's operations and looking abroad towards Australia and China as described elsewhere in this report.

RETAIL

On 12th July 2004, the Company announced that it had agreed to divest its wholly-owned retail pharmacy subsidiary, Apex Pharmacy Sdn Bhd ("APSB"), to Watson's Personal Care Stores Sdn Bhd ("Watsons"), and enter into a Licence Agreement under which Watsons would use the Apex Pharmacy trade name for dispensing operations within all stores in the Watsons chain in Malaysia. This was felt to be an excellent way to extend and enhance the value of the established Apex Pharmacy name.

As Watsons is foreign-owned, approval of the Foreign Investment Committee ("FIC") was a precondition



of the divestment. The FIC declined to approve the transaction by the extended cutoff date of 11th December 2004, and the Agreements for the divestment of APSB to Watsons therefore lapsed uncompleted.

During the year, two new outlets were opened; the first, an Apex drug store at the Theme Park Hotel in Genting Highlands, and the second, an Apex Pharmacy at the Alamanda Shopping Complex in Putrajaya. Going forward into 2005, management has implemented plans to return the retail division to profitability with the introduction of improved business models and operational methods.

MANUFACTURING

The Group's manufacturing subsidiary, Xepa-Soul Pattinson (Malaysia) Sdn Bhd ("XSPM"), entered into a Distribution Agreement with a subsidiary of PharmAust Limited, a company listed on the Australian Stock Exchange, with a view to distribution of its products into the Australian market. Registration of pharmaceutical products will take some months

and if successful, Australian sales arising from this agreement can be expected to commence towards the end of 2005.

During the year, a macrolide antibiotic was released under the brand name Avexus™. XSPM's improved and extended range of cough mixtures achieved market leadership in clinics and pharmacies. To build on this lead, XSPM is preparing to launch the Xenium™ loyalty card targeted at physicians; Xenium™ will entitle physicians to special pricing on purchases of XSPM's dry cough products, and is co-branded as an MBf Countdown card, which will also entitle users to a wide range of other member privileges.

As part of its continuous upgrading, XSPM installed a new RM 1.6 million water supply system supplied by Ponzini Pharma in the first quarter of the year. Further upgrading of manufacturing facilities is underway.

MARKETING

The Group's newly activated marketing subsidiary, ABio Marketing Sdn Bhd, was profitable in its first



year. It is the long term aim to develop marketing of consumer health care products into an important core business of the Group.

DISTRIBUTION

During the year Apex Pharmacy Marketing Sdn Bhd ("APM") was appointed as an exclusive distributor to pharmacies for well-known consumer health care products of Colgate-Palmolive, including Colgate toothpaste and Protex soap. APM, which trades under the name of Apex Pharma, was also appointed distributor for 3M medical products to private clinics and pharmacies covering established brands like Micropore, Transpore white, Littmans stethoscopes, Tegaderm and Steri-strips. Another new line which came under APM's purview was Sante de Pharma's line of beauty products.

APM's new central distribution centre in Subang Jaya was built in 2004 and will be commissioned in 2005. The warehouse will have 60,000 square feet of space, and the adjacent 4-storey corporate block will provide 40,000 square feet of office space. APM will install new facilities in this warehouse to improve competitiveness in the area of pharmaceutical logistics.

PROPERTY HOLDING

In 2004, the Group transferred certain of its properties to a property holding company, AHealth Properties Sdn Bhd, acquired for this purpose with a view to better management of Group properties, and to obtain better rental yields.

The Group is first and foremost a pharmaceutical company and is taking the approach of divesting properties not essential to operations. With the new Subang Jaya distribution centre nearing completion, it has entered into an agreement to divest the now-superfluous Bandar Sunway warehouse units for RM 1.7 million. The divestment is expected to be completed during financial year 2005.

INVESTMENT IN CHINA

On 18th November 2004, the Group announced that it had agreed to acquire a 40% equity interest in Xiamen Maidiken Science and Technology Co., Limited ("XMST"), a vertically integrated, private sector, pharmaceutical company based in Fujian province in People's Republic of China. XMST has under its current owner, Wu Jin-Xiang, become one of the largest privately-owned pharmaceutical concerns in Fujian Province. The investment is intended to give the Group exposure to the strong economic growth of the region, but is at the same time in businesses closely related to the Group's own operations and experience.

After further negotiations, the Group announced on 4th March 2005 that the earlier agreements would be superseded by new agreements. The Group's wholly-owned subsidiary, Apex Pharmacy International Sdn Bhd ("API"), would invest in a 25% equity interest in XMST for a consideration of RMB 20 million (RM 9.8 million) payable to XMST, with an option to increase the interest to 50% within one year from completion, at an agreed fixed price. The revision in terms was considered prudent in view of the non-completion of the divestment of the APSB, which would have generated substantial proceeds.



The investment is not expected to be completed until the last quarter of 2005 pending receipt of all the necessary approvals, and satisfactory completion of legal and financial due diligence.

PROSPECTS

The manufacturing and distribution divisions continue to perform satisfactorily and drive growth of the Group. The Board is hopeful of improved performance in the current financial year; how much improvement there is will depend on the success of plans to improve the performance of the retail division, which continues to trade in a most competitive environment. It is expected that the investment in XMST Group will contribute positively to the Group when it is completed.

SOCIAL RESPONSIBILITIES

The Group has always been conscious of its social responsibilities. Normally the Group contributes in a low-profile way by donating to charitable causes. However, the close of 2004 brought the opportunity for the Group to go the extra mile.

On 26th December 2004, the massive Aceh earthquake took place, followed by the tsunami which wrought widespread and severe destruction to life and property along South and South-East Asian coasts. The Group was able to render help in a very relevant and constructive way, since the aftermath of the calamity left pharmaceuticals in very short supply in the affected areas. The Group's manufacturing division rapidly set up a relief fund, which in the first week of January 2005 donated RM



100,000 of essential medicines to the Ministry of Defence for its aid efforts in Banda Aceh, and a further RM50,000 of medicines to relief organisations for use in their efforts thereafter.

I am sure all our shareholders will be gratified that our Company was in a position to be able to offer appropriate and tangible assistance to neighbours at this difficult time.

On behalf of my fellow Directors, I would like to thank 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

Apex Healthcare Berhad

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

NARRATIVE STATEMENT ON APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

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

DIRECTORS

1. The Board

The Board leads and controls the Company. It is the highest decision-making body in the Company and is answerable directly to shareholders. The Board sets Corporate Objectives and administers a Schedule of Matters exclusively reserved to the Board's decision.

The Board holds regular scheduled meetings four times a year. The Board delegates certain functions to Board committees, further details of which are given elsewhere in this Annual Report. To engage all Directors fully, members of the Board committees are rotated from time to time.

2. Board Balance

The Board currently comprises nine Directors: three independent non-executive Directors, two executive directors and four non-executive non-independent directors. This ensures that the interests of shareholders are equitably represented. The position of Executive Chairman was replaced by that of Non-Executive Chairman on 1st January 2003 so as to achieve division of responsibilities in line with the Corporate Governance guidelines.

3. Supply of Information

Directors are briefed by means of Board Papers prior to a Board meeting in order that they may request further clarifications where necessary, and to ensure that they are fully informed. Furthermore, the Board has access to all relevant internal data pertaining to the Group's operations.

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 30.

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 28.

The Remuneration Committee is an integral part of the process by which the company attracts

and retains the directors needed to run the company successfully. The Committee recommends remuneration based on review of the performance of the Company and Group, and studies of remuneration practices in comparable public companies.

7. Procedure

The procedure for determining the remuneration of directors is incorporated in the Terms of Reference of the Remuneration Committee as set out on page 28.

8. Disclosure

Details on directors' remuneration are set out in the Remuneration Committee Report in earning bands on page 29. The remunerations of individual directors are not disclosed as this information is deemed to be private and confidential.

SHAREHOLDERS

9. Dialogue between companies and investors

The Executive Directors meet with shareholders and investment analysts from time to time to explain the group's strategy, performance and major developments and to receive feedback. Concerns of shareholders may be addressed to the Senior Independent Non-Executive Director, currently En Md Ali Bin Md Dewal, via the Company Secretaries. The Group values dialogue with investors.

10. The Annual General Meeting

The Board values communication with shareholders. Shareholders are encouraged to participate at Annual General Meetings. The Non-executive Chairman, Executive Directors and the Chairmen of the Audit, Nomination and Remuneration Committees are present to respond to shareholders' queries during the Meetings.

ACCOUNTABILITY AND AUDIT

11. Financial Reporting

Due care is taken that the Annual Report, quarterly announcements and any other financial disclosures to shareholders present a balanced view of the company's position and prospects, while complying with 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 internal control comprise risk management and financial, organisational, operational and compliance controls designed to safeguard shareholders' investment and the Group's assets. This system is intended to provide reasonable, rather than absolute, assurance against misstatement or loss within the practical constraints of operating a going concern. The Board has instituted an Internal Audit function further described in the Audit Committee report on page 23.

The Statement on Internal Controls is set out on page 21.

13. Relationship with the Auditors

Ernst & Young are the External Auditors of the Group, having been first appointed at the 2003 Annual General Meeting. The Group maintains a formal and transparent relationship with the Auditors which is subject to the regular review of the Audit Committee. The Terms of Reference of the Audit Committee are found on page 23. The Auditors are re-appointed annually at the Annual General Meeting of the Company.

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, except for the following:

- The Group has had a policy of welcoming contacts with investors and shareholders since its listing on Bursa Malaysia Securities Berhad in June 2000. There is no formal investor relations programme or shareholder communications policy. Meetings with groups of professionals from the investment industry are at the request of these groups, although management has the option of calling for such meetings if it is deemed to be in the Group's interest. Thus far management has observed that this arrangement has been satisfactory to all parties. [Code on Corporate Governance Parts 2AA1 and CC1]
- The replacement of the post of Executive Chairman with the post of Non-Executive Chairman took place on 1st January 2003 as the company has adopted best practice on division of responsibilities. [Part 2AA II]
- Considering the size and composition of the Board, it is unavoidable that there should be some overlap in 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 thus compromised. The rotation of Directors on the sub-committees helps to maintain the independence of these committees.

ADDITIONAL INFORMATION

1. Non-Audit Fees

The amount of non-audit fees paid and payable to the external auditors, Ernst & Young, by the Group for the financial year ended 31 December 2004 amounted to RM 255,150.

2. Material Contracts

Saved as disclosed in the accompany 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 19th May 2004, 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 2004 is as detailed below:-

With:	RM
Grafton Pharmasia Pte Ltd <i>Pursuant to the Distributorship Agreements</i>	
Sale of pharmaceuticals and consumer healthcare products for marketing and distribution in Singapore	4,904,944
Purchase of consumer healthcare products for marketing and distribution in Malaysia	1,785,528
Grafton Laboratories Pte Ltd <i>Pursuant to the Licence Agreement</i>	
Royalties for the licence to manufacture, market and distribute medicated powder products under the brand name 'Agnesia'	100,581

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 the forthcoming Annual General Meeting to renew this Mandate and further details can be found in the circular accompanying this Annual Report.

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.

Statement on Internal Control

INTRODUCTION

Pursuant to paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Board of Directors of Apex Healthcare Berhad is pleased to provide the following statement on the state of internal control of the Group comprising Apex Healthcare Berhad and its subsidiaries for the financial year ended 31 December 2004, which has been prepared in accordance with the "Statement on Internal Control – Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by the Bursa Malaysia.

BOARD RESPONSIBILITY

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. In pursuing this objective, internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Group has carried out an enterprise-wide risk assessment exercise and identified the principal risks faced by the Group. The risk assessment 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 risk assessment 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. The risk assessment exercise was carried out by an independent professional consulting firm which has assisted the Group in ensuring that significant risks are continuously identified and that instituted controls are appropriate and effectively applied by the Management to achieve acceptable exposures consistent with the Group's risk management practices.

The following were implemented:

1. A workshop was conducted with the Directors and operational managers from all the business units in the Group. A database of all risks and controls has been created, and information filtered to produce a detailed risk register for the Group. Key risks to each business unit's objectives are identified and scored for likelihood of the risks occurring and the magnitude of impact.
2. Key management staff in business units have been nominated to prepare action plans to address any risk and control issues.
3. A consolidated risk profile of the Group was developed, which together with a summary of the key findings, was submitted to the Board for consideration.

The risk assessment process will be carried out on an annual basis to ensure that significant risks are continuously identified and that instituted controls are appropriate and effectively applied by the Management to achieve acceptable exposures consistent with the Group's risk management practices.

INTERNAL AUDIT

Internal audits are carried by an independent professional services firm to review the adequacy and integrity of the internal control systems of the business units. The internal audit team highlights to the 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

letters 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. In assessing the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group, the Audit Committee reports to the Board of Directors its activities, significant results, findings and the necessary recommendations or changes.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management and internal audit, 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 process of its pharmaceutical plant. The Directors have ensured that safety and health regulations, environmental controls and all other legislations in connection with the healthcare and pharmaceutical industry have been considered and complied with.

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 to be incurred by the Group for the financial year ended 31 December 2004. The Group continues to take the necessary measures to strengthen its internal controls.

Report of the Audit Committee

The Audit Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31 December 2004.

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. The Committee met four times during financial year 2004 and the attendance record is tabulated as follows:

Director	Position	Attendance of Audit Committee Meeting				
		24 Feb	18 May	17 Aug	17 Nov	Total
Leong Khai Cheong	Independent Non-Executive Director and Chairman of Audit Committee	•	•	•	•	4
Ki Tak Sang @Kee Tak Sang	Executive Director	•	•	•	•	4
Md Ali bin Md Dewal	Senior Independent Non-Executive Director		•	•	•	3
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:-
 - 2.2.1 a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or

- 2.2.2 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 Bursa Malaysia Securities Berhad 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 Bursa Malaysia Securities Berhad, the AC shall report such matter to Bursa Malaysia Securities Berhad.

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 auditors, the audit reports, management letters and management response;
- 4.1.4 the assistance given by the Company's employees and officers to the external auditors;
- 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 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 AC shall verify that the allocation of options pursuant to the Apex Healthcare Berhad Employee Share Option Scheme is in compliance with criteria that have been disclosed to employees as required under the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.
- 4.5 The internal auditors' primary line of reporting shall be to the Chairman of the AC and functionally and administratively to the Group Managing Director.
- 4.6 Any other duties as may be assigned by the Board of Directors from time to time.

5. Attendance at Meetings

- 5.1 The Group 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 December 2004, the Audit Committee in the discharge of its duties and functions carried out the following activities:

- Met with the Internal Auditors, Messrs Deloitte Enterprise Risk Services Sdn Bhd, to review their Reports and the Internal Audit Plan;
- Reviewed the draft Statement on Internal Controls for inclusion in the 2004 Annual Report;
- Reviewed drafts of quarterly and year-end financial statements prior to approval for release to Bursa Malaysia Securities Berhad by the Board of Directors;
- Reviewed the Audit Plans for the Company and the Group with the External Auditors;
- Considered the re-appointment of External Auditors for financial year 2004;
- Reviewed the assistance provided by management to External Auditors;
- Reviewed the value of transactions pursuant to the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue Nature for financial year 2004;
- Verified the Apex Healthcare Berhad Employee Share Option Scheme ("ESOS") allocations under the Company's Grant No. 4. No options were offered to Non-Executive Directors.

INTERNAL AUDIT FUNCTION

The Internal Audit function of the Group is currently outsourced to Deloitte Enterprise Risk Services Sdn Bhd.

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

During the financial year ended 31 December 2004, the Internal Auditors undertook the following activities:

- Attended and reported to the Audit Committee at all the Audit Committee meetings held during financial year 2004;
- Carried out a risk assessment workshop and submitted a detailed risk assessment report on the Group;
- Audited and reported on the procurement process cycle and distribution and logistics cycle in selected depots of Apex Pharmacy Marketing Sdn Bhd;
- Reviewed the physical security in safeguarding the company's products and information at selected depots of Apex Pharmacy Marketing Sdn Bhd;
- Audited and reported on the inventory and cash management in selected outlets of Apex Pharmacy Sdn Bhd;
- Reviewed the related party transactions between Apex group of companies and related parties, including rental and royalty payments;
- Reviewed the physical security in safeguarding the company's products and information and audited the Property, Plant and Equipment process of Xepa Soul Pattinson (M) Sdn Bhd;
- Reviewed the financial management process of Apex Healthcare Berhad; and
- Submitted progress reports on its follow up on areas previously identified with control weaknesses.

Report of the Remuneration Committee

The Remuneration Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31 December 2004.

COMPOSITION OF REMUNERATION COMMITTEE AND ATTENDANCE RECORD

The Remuneration Committee consists of 3 members, the majority of whom are Independent Non-Executive Directors. The committee was established on 23rd May 2001. During the year under review, a meeting was held on Tuesday 24th February, at which all members were present.

On 25th February 2004, Leong Khai Cheong retired as a member of the committee and Mohd Ramli Bin Samian, a non-executive director, was appointed to the Remuneration Committee by the Board.

Director	Position
Jackson Chevalier Yap-Kit-Siong	Non-Executive Director & Chairman of Remuneration Committee
Leong Khai Cheong (retired on 25th February 2004)	Independent Non-Executive Director and Chairman of Audit Committee
Dr Ahmad Kamal bin Md Alif	Independent Non-Executive Director
Hj Mohd Ramli Bin Samian (appointed on 25th February 2004)	Non-Executive Director

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.
- 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 Bursa Malaysia Securities Berhad 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 Review and execute the renewal of the Consulting Agreement with the Chairman.
- 4.4 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.
- 4.5 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 under review the Remuneration Committee in discharge of its duties carried out the following activities:

- * Reviewed the financial year 2003 performance bonus, and remuneration packages of Executive Directors for financial year 2004.
- * Reviewed Directors' fees payable for financial year 2004.
- * Reviewed the renewal of the Consulting Agreement with the Chairman.
- * Reviewed the renewal of the Service Agreement with the Group Managing Director.
- * Reviewed the renewal of the Employment Contract with the Executive Director, Mr. Ki Tak Sang.

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 RM 50,000	6	-
RM 200,001 to RM 250,000	1	-
RM 250,001 to RM 300,000	-	1
RM 600,001 to RM 650,000	-	1

Report of the Nomination Committee

The Nomination Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31 December 2004.

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 23rd May 2001, and for the year under review met on Tuesday 24th February 2004. All members were present.

Director	Position
Robert Dobson Millner (appointed on 25th February 2004)	Non-Executive Director & Chairman of Nomination Committee
Jackson Chevalier Yap-Kit-Siong (retired on 25th February 2004)	Non-Executive Director & Chairman of Remuneration Committee
Leong Khai Cheong	Independent Non-Executive Director & Chairman of the Audit Committee
Dr. Ahmad Kamal bin Md Alif	Independent Non-Executive Director

On 25th February 2004, Jackson Chevalier Yap-Kit-Siong retired from the committee, and Robert Dobson Millner, a non-executive director, was appointed Chairman of the Nomination Committee by the Board.

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 Bursa Malaysia Securities Berhad 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.
- 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 Determine appropriate training for Directors, review the fulfillment of such training, and disclose details in the annual report as appropriate, in accordance with Bursa Malaysia Securities Berhad's guidelines on Continuing Education.
- 4.7 Consider and recommend the Directors for re-election at each Annual General Meeting.
- 4.8 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 effectiveness and performance of the Board as a whole, Board Sub-Committees, the contribution of individual Directors, and Company Secretaries. The Committee further determined which directors would stand for re-election at the 2005 Annual General Meeting of shareholders.

During the year, Bursa Malaysia Securities Berhad amended the rules for its Continuing Education Programme ("CEP") for Directors. The Board of Apex Healthcare Bhd therefore takes responsibility for determining the CEP for its Directors, and has delegated this responsibility to the Nomination Committee.

ATTENDANCE RECORD AT BOARD MEETINGS

Director	Position	25 Feb	19 May	18 Aug	17 Nov	Total
Kee Tah Peng @ Hee Teck Peng	Non-Executive Chairman	•	•	•	•	4
Dr. Kee Kirk Chin	Group Managing Director	•	•	•	•	4
Ki Tak Sang @ Kee Tak Sang	Executive Director	•	•	•	•	4
Robert Dobson Millner	Non-Executive Director, Chairman of Nomination Committee	•	•	•	•	4
Jackson Chevalier Yap-Kit-Siong	Non-Executive Director, Chairman of Remuneration Committee	•	•	•		3
Hj Md Ramli bin Samian	Non-Executive Director	•	•	•	•	4
Leong Khai Cheong	Non-Executive Independent Director, Chairman of Audit Committee	•	•	•	•	4
Md Ali bin Md Dewal	Senior Non-Executive Independent Director	•	•	•	•	4
Dr Ahmad Kamal bin Md Alif	Non-Executive Independent Director	•	•	•	•	4
Total Attendance		9*	9	9	8	35

* Peter Raymond Robinson, alternate director to Robert Dobson Millner, was also present at the meeting held on 25th February 2004.



Financial Statements

Directors' Report	34
Statement by Directors	39
Statutory Declaration	39
Report of the Auditors	40
Income Statements	41
Balance Sheets	42
Consolidated Statement of Changes in Equity	43
Company Statement of Changes in Equity	44
Cash Flow Statements	45
Notes to the Financial Statements	47

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

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 have been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Net profit for the year	9,827,862	6,997,327

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31st December 2003 were as follows:

	RM
In respect of the financial year ended 31 December 2003 as reported in the Directors' report of that year: Final dividend of 5% tax exempt, paid on 26 June 2004	3,357,185
In respect of the financial year ended 31 December 2004: Interim dividend of 4.75% less 28% tax, paid on 12 October 2004	2,303,155
	5,660,340

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004 of 5 sen gross per share less tax amounting to RM2,427,577 on 67,432,700 ordinary shares will be proposed for shareholders approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved will be accounted for in shareholders' equity as appropriation of retained profits in the financial year ending 31 December 2005.

Directors' Report

(Continued)

DIRECTORS

The Directors of the Company in office since the date of the last Directors' Report and at the date of this 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
 Hj 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 Article of Association, Ki Tak Sang @ Kee Tak Sang, Md. Ali bin Md. Dewal and Dr. Ahmad Kamal bin Md. Alif retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements or the fixed salary of a full-time employee of the Group or of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest, required to be disclosed by Section 169(8) of the Companies Act, 1965 except as disclosed in Note 4 to the financial statements.

DIRECTORS' INTERESTS

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:

	Ordinary shares of RM1 each			
	As at 1.1.2004	Acquired During the year	Disposed	As at 31.12.2004
Direct interest				
Kee Tah Peng @ Hee Teck Peng	15,000	-	-	15,000
Dr. Kee Kirk Chin	315,000	-	-	315,000
Ki Tak Sang @ Kee Tak Sang	200,000	90,000	(90,000)	200,000
Jackson Chevalier Yap-Kit-Siong	15,000	-	-	15,000
Leong Khai Cheong	15,000	-	-	15,000
Robert Dobson Millner	15,000	-	-	15,000
Hj Mohd Ramli bin Samian	15,000	-	-	15,000
Md. Ali bin Md. Dewal	643,108	-	-	643,108
Dr. Ahmad Kamal bin Md. Alif	210,000	-	-	210,000
Peter Raymond Robinson	15,000	-	-	15,000

Directors' Report
(Continued)

DIRECTORS' INTERESTS (CONTD.)

	Ordinary shares of RM1 each			
	As at 1.1.2004	Acquired During the year	Disposed	As at 31.12.2004
Indirect interest				
Kee Tah Peng @ Hee Teck Peng	26,145,906	373,100	-	26,519,006
Dr Kee Kirk Chin	26,145,906	373,100	-	26,519,006
	Number of options over ordinary shares of RM1 each			
	As at 1.1.2004	Granted During the year	Exercised	As at 31.12.2004
Kee Tah Peng @ Hee Teck Peng	276,000	-	-	276,000
Dr Kee Kirk Chin	445,000	-	-	445,000
Ki Tak Sang @ Kee Tak Sang	240,000	-	(90,000)	150,000

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

By virtue of their interest in the Company, Kee Tah Peng @ Hee Teck Peng and Dr. Kee Kirk Chin are also deemed to have an interest in all the subsidiary companies of the Company to the extent the Company has an interest.

SIGNIFICANT EVENTS

Significant events during the year are disclosed in Note 26 to the financial statements.

EMPLOYEE SHARE OPTIONS 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 16th 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.

EMPLOYEE SHARE OPTIONS SCHEME (CONTD.)

- 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 Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) 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 RM1.00, whichever is the higher.
- The options granted may be exercised at any time before the expiry of the ESOS on 8th 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:

	Number of share options (Units)
At 1 January 2004	4,455,100
Granted	250,800
Lapsed	(210,300)
Exercised	(674,200)
At 31st December 2004	3,821,400

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

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debt; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Directors' Report
(Continued)

OTHER STATUTORY INFORMATION (CONTD.)

- (e) At the date of this report, there does not exist:
- (i) 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 liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent liability 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 will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

KEE TAH PENG @ HEE TECK PENG

DR KEE KIRK CHIN

Melaka
23rd February 2005

Statement by Directors

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

We, KEE TAH PENG @ HEE TECK PENG and DR KEE KIRK CHIN, being two of the Directors of APEX HEALTHCARE BERHAD, state that in the opinion of the Directors, the financial statements set out on pages 41 to 77 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.

KEE TAH PENG @ HEE TECK PENG

Melaka
23rd February 2005

DR KEE KIRK CHIN

Statutory Declaration

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

I, KWONG LIEN WAH, the Officer primarily responsible for the financial management of APEX HEALTHCARE BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 77 are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the
abovenamed KWONG LIEN WAH
at Melaka in Malaysia on 23rd February 2005

KWONG LIEN WAH

Before me,

COMMISSIONER FOR OATHS

Report of the Auditors

to the Members of Apex Healthcare Berhad
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 41 to 77. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company 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 auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

23rd February 2005

YAP SENG CHONG

No. 2190/12/05 (J)

Partner

Income Statements

for the financial year ended 31 December 2004

	Note	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	3	188,822,728	171,120,972	9,645,210	7,934,467
Cost of sales/services		(141,479,893)	(125,565,186)	(1,037,578)	(1,082,834)
Gross profit		47,342,835	45,555,786	8,607,632	6,851,633
Other operating income		735,118	789,090	822,541	734,581
Selling and distribution costs		(25,636,992)	(23,401,046)	(4,092)	(4,363)
Administrative expenses		(8,169,312)	(7,664,150)	(876,155)	(519,037)
Other operating expenses		(363,811)	(281,190)	(73,535)	(1,227,623)
Profit from operations	4	13,907,838	14,998,490	8,476,391	5,835,191
Finance costs, net	5	(122,984)	(110,740)	-	-
Profit before taxation		13,784,854	14,887,750	8,476,391	5,835,191
Taxation	6	(3,956,992)	(4,223,124)	(1,479,064)	(893,808)
Net profit for the year		9,827,862	10,664,626	6,997,327	4,941,383
Basic earnings per share (sen)	7	14.64	16.16		
Diluted earnings per share (sen)	7	14.48	15.85		
Net dividends per share (sen)	8	7.02	8.24		

The annexed notes form an integral part of these financial statements.

Balance Sheets

as at 31st December 2004

		GROUP		COMPANY	
	Note	2004 RM	2003 RM	2004 RM	2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	9	49,262,235	36,413,689	25,762	13,867
Subsidiary companies	10	-	-	30,965,284	32,658,008
		49,262,235	36,413,689	30,991,046	32,671,875
CURRENT ASSETS					
Inventories	11	30,928,636	31,064,686	-	-
Trade and other receivables	12	41,891,701	36,316,114	40,347,479	35,175,945
Tax recoverable		386,756	235,798	-	36,326
Deposits with licensed banks	13	3,700,000	6,000,000	3,700,000	5,850,000
Cash and bank balances	13	5,203,507	5,472,355	1,398,300	261,669
		82,110,600	79,088,953	45,445,779	41,323,940
CURRENT LIABILITIES					
Trade and other payables	14	26,974,055	25,604,560	231,633	220,536
Proposed Directors' fees		104,000	104,000	104,000	104,000
Taxation		148,397	825,412	342	-
Borrowings	15	7,379,566	2,359,542	-	-
		34,606,018	28,893,514	335,975	324,536
NET CURRENT ASSETS		47,504,582	50,195,439	45,109,804	40,999,404
		96,766,817	86,609,128	76,100,850	73,671,279
FINANCED BY:					
Share capital	16	67,371,700	66,697,500	67,371,700	66,697,500
Share premium		810,260	391,876	810,260	391,876
Other reserves	17	6,073,554	4,191,141	-	-
Retained profits	18	16,977,133	12,809,611	7,918,890	6,581,903
Shareholders' funds		91,232,647	84,090,128	76,100,850	73,671,279
NON-CURRENT LIABILITIES					
Borrowings	15	2,333,570	-	-	-
Deferred taxation	19	3,200,600	2,519,000	-	-
		5,534,170	2,519,000	-	-
		96,766,817	86,609,128	76,100,850	73,671,279

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2004

		NON-DISTRIBUTABLE				DISTRIBUTABLE	
	Note	Share capital RM	Revaluation reserve RM	Foreign currency translation reserve RM	Share premium RM	Retained profits RM	Total RM
At 1st January 2003 Net loss not recognised in income statement: - Share issue expenses Net profit for the year Reclassification of account Dividends Issue of shares - exercise of options under the Employee Share Option Scheme Bonus issue of shares		43,557,000	4,053,818	137,323	3,663,870	23,748,031	75,160,042
		-	-	-	(210,212)	-	(210,212)
	20	-	-	-	-	10,664,626	10,664,626
	8	-	-	-	4,550,958	(4,550,958)	-
		-	-	-	-	(3,721,088)	(3,721,088)
		1,125,500	-	-	1,071,260	-	2,196,760
		22,015,000	-	-	(8,684,000)	(13,331,000)	-
		66,697,500	4,053,818	137,323	391,876	12,809,611	84,090,128
		-	1,872,073	-	-	-	1,872,073
		-	-	10,340	-	-	10,340
8 Issue of shares - exercise of options under the Employee Share Option Scheme		-	-	-	-	9,827,862	9,827,862
		-	-	-	-	(5,660,340)	(5,660,340)
		674,200	-	-	418,384	-	1,092,584
		67,371,700	5,925,891	147,663	810,260	16,977,133	91,232,647
	At 31st December 2004						

The annexed notes form an integral part of these financial statements.

Company Statement of Changes in Equity

for the financial year ended 31 December 2004

	Note	Share capital RM	Non- Distributable Share premium RM	Distributable Retained profits RM	Total RM
At 1st January 2003		43,557,000	8,214,828	18,692,608	70,464,436
Net profit for the year		-	-	4,941,383	4,941,383
Dividends	8	-	-	(3,721,088)	(3,721,088)
Issue of shares					
- exercise of options under the Employee Share Option Scheme		1,125,500	1,071,260	-	2,196,760
Bonus issue of shares		22,015,000	(8,684,000)	(13,331,000)	-
Net loss not recognised in the income statement					
- share issue expenses		-	(210,212)	-	(210,212)
At 31st December 2003		66,697,500	391,876	6,581,903	73,671,279
Net profit for the year		-	-	6,997,327	6,997,327
Dividends	8	-	-	(5,660,340)	(5,660,340)
Issue of shares					
- exercise of options under the Employee Share Option Scheme		674,200	418,384	-	1,092,584
At 31st December 2004		67,371,700	810,260	7,918,890	76,100,850

The annexed notes form an integral part of the financial statements.

Cash Flow Statements

for the financial year ended 31 December 2004

	GROUP		COMPANY	
Note	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	13,784,854	14,887,750	8,476,391	5,835,191
Adjustments for :				
Depreciation of property, plant and equipment	3,638,432	3,406,909	8,369	12,084
Property, plant and equipment written off	109,857	71,883	546	-
Interest expense	122,984	110,740	-	-
Interest income	(147,317)	(83,552)	(822,541)	(734,581)
Dividend income	-	-	(8,400,000)	(6,850,000)
Impairment loss in a subsidiary company	-	-	20,724	1,198,359
Net (gain)/loss on disposal of property, plant and equipment	(98,432)	(229,480)	-	1,197
Allowance for doubtful debts	843,606	810,181	-	-
Allowance for doubtful debts written back	(527,254)	(280,348)	-	-
Bad debts written off less recoveries	14,877	14,403	-	-
Inventories written off	74,861	257,530	-	-
Inventories written down	356,111	128,205	-	-
Unrealised foreign exchange (gain)/ loss	(3,537)	7,321	-	-
Provision for retirement benefits	-	206,498	-	-
Operating profit/(loss) before working capital changes	18,169,042	19,308,040	(716,511)	(537,750)
Inventories	(294,922)	(3,359,043)	-	-
Receivables	(5,903,279)	(1,312,895)	(5,171,534)	(3,296,291)
Payables	1,369,495	(6,637)	11,097	(65,151)
Cash generated from/(used in) operations	13,340,336	14,629,465	(5,876,948)	(3,899,192)
Retirement benefits paid	-	(1,394,735)	-	-
Tax paid	(4,355,265)	(4,204,253)	(70,396)	(55,482)
Dividends received	-	-	8,900,000	6,010,000
Net cash generated from operating activities	8,985,071	9,030,477	2,952,656	2,055,326

Cash Flow Statements

for the financial year ended 31 December 2004

(Continued)

	GROUP		COMPANY	
Note	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries paid by cash	-	-	(200,000)	-
Purchases of property, plant and equipment21(a)	(14,490,050)	(8,387,640)	(20,810)	(2,280)
Proceeds from disposal of property, plant and equipment	116,672	278,573	-	434
Interest received	147,317	83,552	822,541	734,581
Net cash (used in)/generated from investing activities	(14,226,061)	(8,025,515)	601,731	732,735
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	1,092,584	2,196,760	1,092,584	2,196,760
Payment of share issue expenses	-	(210,212)	-	(210,212)
Drawdown of term loan	3,384,000	616,000	-	-
Repayment of term loan	(799,992)	(66,446)	-	-
Dividends paid	(5,660,340)	(3,721,088)	(5,660,340)	(3,721,088)
Interest paid	(122,984)	(110,740)	-	-
Trade financing facilities received	3,658,000	84,580	-	-
Net cash generated from/(used in) financing activities	1,551,268	(1,211,146)	(4,567,756)	(1,734,540)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	(3,689,722)	(206,184)	(1,013,369)	1,053,521
CURRENCY TRANSLATION DIFFERENCES	10,118,367	10,324,551	6,111,669	5,058,148
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR 21(b)	9,288	-	-	-
	6,437,933	10,118,367	5,098,300	6,111,669

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statements

1. GENERAL

The principal activities of the Company are investment holding and 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 545 (2003: 503) for the Group and 4 (2003: 4) for the Company.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23rd February 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise stated, and comply with the provisions of the Companies Act 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has the power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiary companies are consolidated using the acquisition method of accounting except for certain subsidiary companies, as disclosed in Note 10, which were consolidated prior to 1st 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.

- (i) Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition or up to the effective date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition costs and these values is reflected as goodwill or reserve on consolidation as appropriate. Goodwill on consolidation is written off against reserves.
- (ii) Under the merger method of accounting, the results of the subsidiary companies are presented as if the companies had been combined throughout the current and previous financial years. The difference between the cost of acquisition over the nominal value of the share capital and share premium of the subsidiary companies is written off against reserves.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) 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 valuer, less subsequent amortisation/depreciation and impairment losses. 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 and impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2(m).

Surpluses arising from revaluation are credited to revaluation reserve. Any deficit 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.

Freehold land is not amortised as it has an infinite life. Leasehold land is amortised in equal instalments over the periods of the respective leases that range from 71 to 92 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 estimate useful lives.

The principal annual depreciation rates used for this purpose are:

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

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

(d) Investments in Subsidiary Companies

Investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition of impairment losses is in accordance with Note 2(m).

(e) Inventories

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

Cost is determined using the standard cost and the weighted average methods. The cost of finished goods and work in progress consists of direct materials, direct labour, direct charges and appropriate proportion overheads. Standard cost approximates actual cost calculated on a weighted average basis.

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

(f) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Taxation (Contd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(g) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). The Group's foreign subsidiary in Singapore makes contribution to its country's Central Provident Fund ("CPF"). Such contributions are recognised as an expense in the income statement as incurred.

(h) Foreign Currencies

(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.

(ii) Foreign currency transaction 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 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 through the income statement.

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

	2004 RM	2003 RM
1 United States Dollar	3.80	3.80
1 Singapore Dollar	2.30	2.20
1 Euro Dollar	5.18	4.77

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Research Cost

Research cost is recognised as an expense when incurred.

(j) Capitalisation of Borrowing Costs

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(k) Operating Leases

Leases of assets under which 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.

(l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

- (i) Sale of goods
Revenue relating to sale of goods are recognised upon delivery of goods and the transfer of risks and rewards.
- (ii) Revenue from services
Revenue from services rendered is recognised as and when the services are performed.
- (iii) Dividend income
Dividend income is recognised when the right to receive payment is established.
- (iv) Interest income
Interest is recognised on a time proportion basis that reflects the effective yield on the asset.
- (v) Rental income
Rental income is recognised on the accrual basis unless the collectibility is in doubt.

(m) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, deferred tax assets, assets arising from employee benefits and financial assets, to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(n) Provision for Liabilities

Provisions for liabilities are recognised when the Group or the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Financial Instruments

Financial instruments recognised on the balance sheet:

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument. The recognition methods adopted for financial instruments recognised on the balance sheet are as follows:

(i) Receivables

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

(ii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

(iv) Equity instrument

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Financial instruments not recognised in 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.

(p) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short term highly liquid investments that are readily convertible to known amount of cash and are subject to insignificant risk of changes in value, net of outstanding bank overdrafts.

Notes to the Financial Statements
(Continued)

3. REVENUE

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Sale of pharmaceutical products	188,822,728	171,120,972	-	-
Gross dividends from unquoted subsidiary companies	-	-	8,400,000	6,850,000
Management service fees	-	-	1,245,210	1,084,467
	188,822,728	171,120,972	9,645,210	7,934,467

4. PROFIT FROM OPERATIONS

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

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Directors' fees				
- Executive Directors	8,000	8,000	8,000	8,000
- Non-executive Directors	96,000	96,000	96,000	96,000
Consulting fees paid to a Director	180,000	180,000	180,000	180,000
Depreciation of property, plant and equipment	3,638,432	3,406,909	8,369	12,084
Auditors' remuneration				
- current year	64,950	61,000	17,000	17,000
- other services	5,000	5,000	5,000	5,000
Foreign exchange loss/(gain)				
- realised	10,922	48,620	5,646	-
- unrealised	(3,537)	7,321	-	-
Rental expenses	2,902,728	2,361,525	-	-
Research and development cost	313,083	263,460	-	-
Provision for retirement benefits	-	206,498	-	-
Allowance for doubtful debts	843,606	810,181	-	-
Bad debts written off	20,877	20,693	-	-
Property, plant and equipment written off	109,857	71,883	546	-
Inventories written off	74,861	257,530	-	-
Inventories written down	356,111	128,205	-	-
Impairment loss in a subsidiary company	-	-	20,724	1,198,359
Allowance for doubtful debts written back	(527,254)	(280,348)	-	-
Bad debts recovered	(6,000)	(6,290)	-	-
Net (gain)/loss on disposal of property, plant and equipment	(98,432)	(229,480)	-	1,197
Rental income	(180,350)	(180,216)	-	-
Interest income	(147,317)	(83,552)	(822,541)	(734,581)

Notes to the Financial Statements
(Continued)

4. PROFIT FROM OPERATIONS (CONTD.)

Staff costs of the Group and of the Company incurred during the year consist of the following:

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Wages, salaries and social security cost	16,707,686	16,211,366	749,366	793,266
Pension costs:				
- defined contribution plans	2,048,720	1,928,575	90,128	95,388
- defined benefit plan	-	206,498	-	-
Other staff related expenses	848,649	660,280	98,085	90,180
	19,605,055	19,006,719	937,579	978,834

Included in staff costs of the Group and of the Company are executive Directors' emoluments other than Directors' fee amounting to RM1,115,997 and RM793,984 (2003: RM1,384,819 and RM860,369) respectively.

The estimated monetary value of non-cash benefits provided to certain executive Directors of the Company during the financial year amounted to RM23,218 (2003: RM1,200).

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2004	2003
Executive Directors		
RM50,000-RM350,000	1	1
RM350,001-RM750,000	1	1
Non-executive Directors		
Below - RM50,000	6	6
RM50,001-RM250,000	1	1

5. FINANCE COSTS

	GROUP	
	2004 RM	2003 RM
Interest expense on:		
- bank overdrafts	70,074	79,442
- trade financing	52,910	31,298
- term loan	94,925	-
	217,909	110,740
Less: interest expense capitalised in qualifying assets:		
- Building-in-progress - Note 9(b)	(94,925)	-
	122,984	110,740

Notes to the Financial Statements
(Continued)

6. TAXATION

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Malaysian income tax:				
Tax expense for the year	3,592,700	3,782,000	1,472,000	915,000
(Over)/under provision in prior year	(65,408)	60,124	7,064	(21,192)
Deferred tax (Note 19):				
Relating to origination and reversal of temporary differences	402,700	381,000	-	-
Under provision in prior year	27,000	-	-	-
	3,956,992	4,223,124	1,479,064	893,808

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2004 RM	2003 RM
Group		
Profit before taxation	13,784,854	14,887,750
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	3,859,759	4,168,570
Effect of lower tax rate for small and medium scale companies	(90,278)	(8,000)
Effect of different tax rates in other country	7,403	-
Effect of income not subject to tax	-	(36,627)
Effect of expenses not deductible for tax purposes	450,243	230,470
Effect of utilisation of previously unrecognised tax losses	(22,990)	-
Effect of utilisation in respect of current year's reinvestment allowances	(530,233)	(142,259)
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowance and other payables	406,129	9,204
Double deduction for tax purposes	(84,633)	(58,358)
(Over)/under provision of income tax in prior year	(65,408)	60,124
Under provision of deferred tax in prior year	27,000	-
Tax expense for the year	3,956,992	4,223,124

Notes to the Financial Statements
(Continued)

6. TAXATION (CONTD.)

	2004 RM	2003 RM
Company		
Profit before taxation	8,476,391	5,835,191
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	2,373,389	1,633,853
Effect of income not subject to tax	(980,000)	(1,078,000)
Effect of expenses not deductible for tax purposes	75,188	355,105
Deferred tax assets not recognised in respect of current year's unabsorbed capital allowance	3,423	4,042
Under/(over) provision of income tax in prior year	7,064	(21,192)
Tax expense for the year	1,479,064	893,808

Tax savings during the financial year arising from:

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Utilisation of current year tax losses	127,163	123,618	127,163	123,618
Utilisation of previously unrecognised tax losses	22,990	-	-	-
	150,153	123,618	127,163	123,618

7. EARNINGS PER SHARE

(i) 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 year.

	GROUP	
	2004	2003
Net profit for the financial year (RM)	9,827,862	10,664,626
Weighted average number of ordinary shares in issue	67,128,708	66,011,438
Basic earnings per share (sen)	14.64	16.16

Notes to the Financial Statements
(Continued)

7. EARNINGS PER SHARE (CONTD.)

(ii) 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	
	2004	2003
Net profit for the financial year (RM)	9,827,862	10,664,626
Weighted number of ordinary shares in issue	67,128,708	66,011,438
Adjustment for share options	751,620	1,274,680
Adjusted weighted average number of ordinary shares in issue and issuable	67,880,328	67,286,118
Diluted earnings per share (sen)	14.48	15.85

8. DIVIDENDS

	2004		2003	
	Dividend per share net of tax Sen	Amount of dividend net of tax RM	Dividend per share net of tax Sen	Amount of dividend net of tax RM
Final dividend in respect of prior financial year:				
- 5 sen (2002: 5 sen) per share tax exempt (2002: taxable)	5.00	3,357,185	3.60	1,568,448
Interim dividend of 4.75 sen (2003: 4.5 sen) per share less 28% tax (2003: taxable)	3.42	2,303,155	3.24	2,152,640
	8.42	5,660,340	6.84	3,721,088

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004 of 5 sen gross per share less tax amounting to RM2,427,577 on 67,432,700 ordinary shares will be proposed for shareholders approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved will be accounted for in shareholders' equity as appropriation of retained profits in the financial year ending 31 December 2005.

Notes to the Financial Statements
(Continued)

9. PROPERTY, PLANT AND EQUIPMENT

GROUP	Buildings on freehold land		Long Buildings on leasehold land		Building in-progress		Capital in-progress		Freehold shop units		Plant, machinery and factory equipment		Furniture, fittings and equipment		Motor vehicles		Total RM
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
Net Book Value																	
At 1st January 2004	5,561,127	147,200	8,048,543	8,690,441	-	-	-	-	2,134,400	5,863,205	4,076,715	1,892,058	36,413,689				
Additions	8,000	-	51,020	9,800	9,040,548	1,007,725	63,900	2,938,721	1,131,916	238,420			14,490,050				
Disposals	-	-	-	-	-	-	-	(1)	(18,238)	(1)			(18,240)				
Write off	-	-	-	-	-	-	-	(2,357)	(107,500)	-			(109,857)				
Revaluation	178,873	13,600	527,617	781,216	-	-	-	622,667	-	-			2,123,973				
Currency translation	-	-	-	-	-	-	-	-	-	1,052			1,052				
Depreciation charge for the year	-	(3,200)	(88,701)	(185,931)	-	-	(45,054)	(1,217,706)	(1,332,491)	(765,349)			(3,638,432)				
At 31st December 2004	5,748,000	157,600	8,538,479	9,295,526	9,040,548	1,007,725	2,775,913	7,581,862	3,751,454	1,365,128			49,262,235				
At 31.12.2004																	
Cost	8,000	-	51,020	9,800	9,040,548	1,007,725	63,900	17,364,792	11,880,337	4,204,383			43,630,505				
Valuation	5,740,000	160,000	8,520,000	9,350,000	-	-	2,730,000	-	-	-			26,500,000				
Accumulated depreciation	-	(2,400)	(32,541)	(64,274)	-	-	(17,987)	(9,782,930)	(8,128,883)	(2,839,255)			(20,868,270)				
Net book value	5,748,000	157,600	8,538,479	9,295,526	9,040,548	1,007,725	2,775,913	7,581,862	3,751,454	1,365,128			49,262,235				
At 31.12.2003																	
Cost	5,271,127	-	1,409,242	3,026,347	-	-	-	14,808,019	12,476,241	4,118,010			41,108,986				
Valuation	290,000	160,000	6,990,000	6,360,000	-	-	2,320,000	-	-	-			16,120,000				
Accumulated depreciation	-	(12,800)	(350,699)	(695,906)	-	-	(185,600)	(8,944,814)	(8,399,526)	(2,225,952)			(20,815,297)				
Net book value	5,561,127	147,200	8,048,543	8,690,441	-	-	2,134,400	5,863,205	4,076,715	1,892,058			36,413,689				
Depreciation charge for the year	-	(3,200)	(87,540)	(184,705)	-	-	(46,400)	(1,134,509)	(1,238,060)	(712,495)			(3,406,909)				

Included in the additions are capital expenditure in progress of RM10,048,273 which has not been commissioned at balance sheet date.

Notes to the Financial Statements
(Continued)

9. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Furniture, fittings and equipment RM	Total RM
COMPANY		
Net Book Value		
At 1st January 2004	13,867	13,867
Additions	20,810	20,810
Write off	(546)	(546)
Depreciation charge for the year	(8,369)	(8,369)
At 31st December 2004	25,762	25,762
At 31.12.2004		
Cost	65,783	65,783
Accumulated depreciation	(40,021)	(40,021)
Net book value	25,762	25,762
At 31.12.2003		
Cost	57,586	57,586
Accumulated depreciation	(43,719)	(43,719)
Net book value	13,867	13,867
Depreciation charge for the year	(12,084)	(12,084)

(a) The Group's properties were revalued by CH Williams Talhar & Wong Sdn. Bhd on April 2004 by the following valuers who are members of the Institute of Surveyors, Malaysia:

- i) Foo Gee Jen (Diploma in Valuation, B.Surveyors (Hons) Property Management, MISM, Registered valuer (V-368));
- ii) Danny Yeo Soon Kee (Associate Diploma in Valuations, MISM, Registered valuer (V-352));
- iii) Chong Pah Aung (BSc. (Estate Management) FRICS FISM Chartered Valuation Surveyors & Registered Valuer (V-153));
- iv) P'n Soo Theng (BSc. FRICS MISM, Registered Valuer (V-140)); and
- v) Alan Chew (BSc. FRICS FISM Chartered Surveyors & Registered Valuer (V-180)).

Valuations were made using the comparison method of valuation to reflect their fair value.

Notes to the Financial Statements
(Continued)

9. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (a) Had the revalued properties of the Group been carried at historical costs less accumulated depreciation and impairment losses, the net book value of each class of properties that would have been included in the financial statements of the Group as at 31 December 2004 would be as follows:

	GROUP	
	2004 RM	2003 RM
Freehold land	5,551,127	280,000
Buildings on freehold land	132,553	137,228
Long leasehold land	3,720,618	2,408,399
Buildings on leasehold land	8,302,111	5,674,713
Freehold shop units	1,116,674	1,152,091
	18,823,083	9,652,431

- (b) Interest expense capitalised during the financial year under building-in-progress of the Group amounted to RM94,925 (2003:Nil), as disclosed in Note 5.

10. SUBSIDIARY COMPANIES

	COMPANY	
	2004 RM	2003 RM
Unquoted shares at cost	40,604,874	40,404,874
Less: Net dividends from pre-merger profits	(8,420,507)	(6,548,507)
	32,184,367	33,856,367
Less: Accumulated impairment loss	(1,219,083)	(1,198,359)
	30,965,284	32,658,008

The unquoted subsidiary companies are as follows:

Name of subsidiary company	Place of incorporation	Principal activities	Effective equity interest	
			2004 %	2003 %
+ Xepa-Soul Pattinson (Malaysia) Sendirian Berhad	Malaysia	Manufacturing and marketing of pharmaceutical products	100	100

Notes to the Financial Statements
(Continued)

10. SUBSIDIARY COMPANIES (CONTD.)

Name of subsidiary company	Place of incorporation	Principal activities	Effective equity interest	
			2004 %	2003 %
+ Apex Pharmacy Marketing Sdn. Bhd.	Malaysia	Marketing and distribution of pharmaceutical products	100	100
+ Apex Pharmacy Sendirian Berhad	Malaysia	Retailing of pharmaceutical products	100	100
+ ABio Marketing Sdn. Bhd.	Malaysia	Marketing and distribution of healthcare products	100	100
AHealth Properties Sdn. Bhd. (formerly known as Supreme Pillar Sdn. Bhd.)	Malaysia	Property rental and management, retailing of pharmaceutical products and provision of accounting and management support services	100	-
Apex Pharmacy International Sdn. Bhd.	Malaysia	Investment holding	100	-
Subsidiary company of Xepa-Soul Pattinson (Malaysia) Sendirian Berhad				
Xepa-Soul Pattinson (S) Pte. Ltd.	Singapore	Marketing and distribution of pharmaceutical products	100	100

+ Consolidated using merger accounting.

Notes to the Financial Statements
(Continued)

10. SUBSIDIARY COMPANIES (CONTD.)

Acquisition of subsidiary company

On 16th March 2004, the Company acquired 100% equity interest in Supreme Pillar Sdn. Bhd. for a total cash consideration of RM2.00.

On 2nd April 2004, Supreme Pillar Sdn. Bhd. changed its name to AHealth Properties Sdn. Bhd.

The acquisition has the following effect on the Group's financial results for the year:

	Company Results 2004 RM	Consolidation Adjstments 2004 RM	Effect on Group 2004 RM
Revenue	1,602,535	(948,197)	654,338
Profit from operations	71,089	26,253	97,342
Taxation	(26,000)	-	(26,000)
Net profit for the period	45,089	26,253	71,342

The acquisition had the following effect on the financial position of the Group as at the end of the year:

	RM
Plant and equipment	19,834
Inventories	349,872
Trade and other receivables	55,933
Cash and bank balances	39,914
Trade and other payables	(225,551)
Taxation	(26,000)
Group's share of net assets	214,002

The fair value of the asset acquired from the acquisition of the subsidiary company was as follow:

	2004 RM
Cash and bank balances	2
Purchase consideration satisfied by way of cash:	2

There were no acquisitions in the last financial year ended 31 December 2003.

Notes to the Financial Statements
(Continued)

10. SUBSIDIARY COMPANIES (CONTD.)

On 20th September 2004, the Group incorporated Apex Pharmacy International Sdn. Bhd. and the effects of the incorporation on the Group's financial position as at 31 December 2004 and the results for the year then ended were immaterial.

11. INVENTORIES

	GROUP	
	2004 RM	2003 RM
Cost		
Raw materials	3,381,557	2,841,009
Work in progress	165,976	419,939
Finished goods	2,423,276	2,635,869
Pharmaceutical items held for resale	24,749,266	25,167,869
	30,720,075	31,064,686
Net realisable value		
Pharmaceutical items held for resale	208,561	-
	30,928,636	31,064,686

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM134,170,916 (2003: RM118,453,037).

12. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables	39,331,248	34,863,519	-	-
Allowance for doubtful debts	(1,385,795)	(1,547,889)	-	-
	37,945,453	33,315,630	-	-
Bills receivable	505,486	512,860	-	-
Amounts due from subsidiary companies:				
- interest bearing	-	-	12,500,000	12,500,000
- non-interest bearing	-	-	27,843,129	22,671,925
Other receivables	2,282,917	163,979	-	-
Deposits	874,305	987,860	3,100	2,700
Prepayments	283,540	1,335,785	1,250	1,320
	41,891,701	36,316,114	40,347,479	35,175,945

Notes to the Financial Statements
(Continued)

12. TRADE AND OTHER RECEIVABLES (CONTD.)

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

	GROUP	
	2004 RM	2003 RM
Ringgit Malaysia	35,938,924	31,055,638
Singapore Dollar	1,827,488	1,853,777
United States Dollar	669,207	874,696
Others	15,320	44,379
	38,450,939	33,828,490

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

The amounts due from subsidiary companies are unsecured and have no credit terms or fixed terms of repayment. The effective weighted average interest rate for amounts due from subsidiary companies which are interest bearing at balance sheet date was 5.01% (2003: 5.07%) per annum.

The credit terms of trade receivables of the Group range from 30 days to 120 days (2003: 30 days to 120 days). Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are dispersed throughout the country. The Group's historical experience in collection of accounts receivables falls within the recorded credit periods. Due to these factors, the management believes that no additional credit risk beyond the allowance made for doubtful debts is inherent in the Group's trade receivables.

13. DEPOSITS WITH LICENSED BANKS, CASH AND BANK BALANCES

The weighted average interest rates during the financial year and the average maturities of deposits as at 31 December were as follows:

	Weighted average interest rates		Average maturities	
	2004 %	2003 %	2004 days	2003 days
Group and Company	3.00	3.00	17 to 30	17 to 30

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

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Ringgit Malaysia	8,588,701	11,107,106	5,098,300	6,111,669
Singapore Dollar	314,806	365,249	-	-
	8,903,507	11,472,355	5,098,300	6,111,669

Notes to the Financial Statements
(Continued)

14. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	21,795,300	19,397,816	-	-
Bills payable	1,139,361	1,523,894	-	-
Other payables	978,946	848,325	71,370	20,142
Accruals	3,060,448	3,834,525	160,263	200,394
	26,974,055	25,604,560	231,633	220,536

The currency exposure profile of payables is as follows:

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Ringgit Malaysia	25,795,115	22,335,314	231,633	220,536
Singapore Dollar	271,987	333,354	-	-
United States Dollar	689,223	2,789,299	-	-
Euro Dollar	67,218	10,073	-	-
Others	150,512	136,520	-	-
	26,974,055	25,604,560	231,633	220,536

The normal credit terms of payables granted to the Group and the Company range from 30 days to 90 days.

15. BORROWINGS

	GROUP	
	2004 RM	2003 RM
Unsecured:		
Bank overdrafts	2,465,574	1,353,988
Trade financing facilities	4,114,000	456,000
Term loan	3,133,562	549,554
	9,713,136	2,359,542
As at 31st December 2004		
Current	7,379,566	2,359,542
Non-current:		
Later than 1 year but not later than 2 years	799,992	-
Later than 2 years but not later than 5 years	1,533,578	-
	9,713,136	2,359,542

Notes to the Financial Statements
(Continued)

15. BORROWINGS (CONTD.)

The term loan obtained by a subsidiary company was for the purpose of financing the construction of the Group corporate office and its distribution centre. The term loan is guaranteed by the Company.

The term loan is repayable by monthly fixed instalments of RM66,666 each commencing from 1 November 2003 over a period of 5 years or until the term loan is fully settled.

The effective weighted average interest rates at balance sheet date were as follows:

	2004 %	2003 %
Bank overdrafts	7.00	6.50
Trade financing facilities	3.50	3.50
Term loan	4.50	4.70

16. SHARE CAPITAL

	Number of shares		Amount	
	2004 Units	2003 Units	2004 RM	2003 RM
Authorised:				
Ordinary shares of RM1 each	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid:				
ordinary shares of RM1 each:				
At 1st January	66,697,500	43,557,000	66,697,500	43,557,000
Issued arising from exercise of Employee Share Option Scheme	674,200	1,125,500	674,200	1,125,500
Bonus issue	-	22,015,000	-	22,015,000
	67,371,700	66,697,500	67,371,700	66,697,500

The Company implemented an Employee Share Option Scheme ("ESOS") on 8th 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:

- (i) 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.
- (ii) An employee (including Executive Directors) of the Group shall be eligible to participate in the Scheme if, as at the offer date, the employee:
 - (a) has attained the age of eighteen (18) years;
 - (b) 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
 - (c) is an Executive Director of the Company whose allocation of Options has been approved by the shareholders of the Company in a general meeting.

Notes to the Financial Statements
(Continued)

16. SHARE CAPITAL (CONTD.)

The main features of the ESOS are as follows: (contd.)

- (iii) 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 Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) 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 Company of RM1.00, whichever is the higher.
- (iv) The options granted may be exercised at any time before the expiry of the ESOS on 8th October 2006.
- (v) 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:

	Number of share options	
	2004 Units	2003 Units
At 1 January	4,455,100	3,777,000
Granted	250,800	479,100
Adjustment for bonus issue	-	1,563,000
Lapsed	(210,300)	(238,500)
Exercised	(674,200)	(1,125,500)
At 31 December	3,821,400	4,455,100

Details of the share options granted during the year are as follows:

Exercise period	Exercise price		Number of share options	
	2004 RM	2003 RM	2004 Units	2003 Units
28.11.2003 - 08.10.2006	-	2.02	-	479,100
29.11.2004 - 08.10.2006	1.79	-	250,800	-

The terms of share options outstanding as at the end of the financial year are as follows:

Exercise period	Number of share options outstanding	
	2004 Units	2003 Units
28.11.2001 - 08.10.2006	3,048,500	3,844,000
28.11.2002 - 08.10.2006	97,000	132,000
28.11.2003 - 08.10.2006	434,100	479,100
29.11.2004 - 08.10.2006	241,800	-

Notes to the Financial Statements
(Continued)

16. SHARE CAPITAL (CONTD.)

The terms of share options outstanding as at the end of the financial year are as follows (contd.):

Exercise period	Exercise price	
	2004 RM	2003 RM
28.11.2001 - 08.10.2006	1.62	1.62
28.11.2002 - 08.10.2006	1.57	1.57
28.11.2003 - 08.10.2006	2.02	2.02
29.11.2004 - 08.10.2006	1.79	-

17. OTHER RESERVES

	GROUP	
	2004 RM	2003 RM
Non-distributable		
Revaluation reserve	5,925,891	4,053,818
Foreign currency translation reserve	147,663	137,323
	6,073,554	4,191,141

The revaluation reserve includes the cumulative net change in fair value of freehold land, buildings on freehold land, long leasehold land, buildings on long leasehold land and freehold shop units of the Group above their costs.

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of a foreign subsidiary company.

18. RETAINED PROFITS

As at 31 December 2004, subject to the agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income tax Act, 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits.

Notes to the Financial Statements
(Continued)

19. DEFERRED TAXATION

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
At 1st January	2,519,000	2,138,000	-	-
Recognised in the income statement (Note 6)	429,700	381,000	-	-
Recognised in equity	251,900	-	-	-
At 31st December	3,200,600	2,519,000	-	-
Presented after appropriate off setting as follows:				
Deferred tax assets	(146,295)	(398,700)	-	-
Deferred tax liabilities	3,346,895	2,917,700	-	-
	3,200,600	2,519,000	-	-

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Provision for retirement benefits RM	Unabsorbed capital allowance RM	Other payables RM	Total RM
At 1st January 2004	-	(67,000)	(331,700)	(398,700)
Recognised in the income statement	-	65,371	187,034	252,405
At 31st December 2004	-	(1,629)	(144,666)	(146,295)
At 1st January 2003	(333,000)	(4,000)	(311,000)	(648,000)
Recognised in the income statement	333,000	(63,000)	(20,700)	249,300
At 31st December 2003	-	(67,000)	(331,700)	(398,700)

Notes to the Financial Statements
(Continued)

19. DEFERRED TAXATION (CONTD.)

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Revaluation of property, plant and equipment RM	Total RM
At 1st January 2004	1,343,700	1,574,000	2,917,700
Recognised in the income statement	177,295	-	177,295
Recognised in equity	-	251,900	251,900
At 31st December 2004	1,520,995	1,825,900	3,346,895
At 1st January 2003	1,212,000	1,574,000	2,786,000
Recognised in the income statement	131,700	-	131,700
At 31st December 2003	1,343,700	1,574,000	2,917,700

Deferred tax assets of the Company:

	Unabsorbed capital allowance RM	Total RM
At 1st January 2004	(2,000)	(2,000)
Recognised in the income statement	1,000	1,000
At 31st December 2004	(1,000)	(1,000)
At 1st January 2003	(4,000)	(4,000)
Recognised in the income statement	2,000	2,000
At 31st December 2003	(2,000)	(2,000)

Notes to the Financial Statements
(Continued)

19. DEFERRED TAXATION (CONTD.)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM	Total RM
At 1st January 2004	2,000	2,000
Recognised in the income statement	(1,000)	(1,000)
At 31st December 2004	1,000	1,000
At 1st January 2003	4,000	4,000
Recognised in the income statement	(2,000)	(2,000)
At 31st December 2003	2,000	2,000

Deferred tax assets have not been recognised in respect of the following items:

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Unused tax losses	1,045,901	323,013	18,261	18,261
Unabsorbed capital allowances	397,047	55,821	68,046	55,821
Other payables	304,235	-	-	-
	1,747,183	378,834	86,307	74,082

Subject to the agreement of the Inland Revenue Board, the unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the Company and respective subsidiary companies.

20. RECLASSIFICATION OF ACCOUNT

This represents reclassification of a merger deficit of RM4,550,958 arising from consolidation of certain subsidiary companies using merger accounting from the Group share premium to the Group retained profits in prior year.

Notes to the Financial Statements
(Continued)

21. NOTES TO CASH FLOW STATEMENTS

- (a) Purchases of property, plant and equipment

Purchases of property, plant and equipment during the year were fully paid for in cash.

- (b) Cash and cash equivalents

Cash and cash equivalents at 31 December comprise the following:

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Deposits with licensed banks	3,700,000	6,000,000	3,700,000	5,850,000
Cash and bank balances	5,203,507	5,472,355	1,398,300	261,669
Bank overdrafts	(2,465,574)	(1,353,988)	-	-
	6,437,933	10,118,367	5,098,300	6,111,669

22. SEGMENTAL INFORMATION

The Group is organised into two main business segments:

- (i) Manufacturing of pharmaceutical products;
- (ii) 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.

22. SEGMENTAL INFORMATION (CONT'D.)

The analysis of group operations is as follows:

(i) Business segments

	Manufacturing		Retailing and distribution		Investment holding		Consolidated	
	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM
Revenue								
Total revenue	40,425,361	38,364,944	162,383,652	147,111,872	9,682,790	7,934,467	212,491,803	193,411,283
Inter-segment revenue	(14,023,865)	(14,355,844)	-	-	(9,645,210)	(7,934,467)	(23,669,075)	(22,290,311)
External revenue	26,401,496	24,009,100	162,383,652	147,111,872	37,580	-	188,822,728	171,120,972
Results								
Segment results (external)	11,182,004	11,379,546	5,169,417	5,213,283	(1,510,525)	(1,041,675)	14,840,896	15,551,154
Unallocated corporate expenses							(933,058)	(552,664)
Profit from operations							13,907,838	14,998,490
Finance costs, net							(122,984)	(110,740)
Taxation							(3,956,992)	(4,223,124)
Net profit for the financial year							9,827,862	10,664,626
ASSETS AND LIABILITIES								
Segment assets	39,237,240	36,823,365	79,710,102	72,111,597	12,038,691	6,331,835	130,986,033	115,266,797
Unallocated assets							386,802	235,845
Total assets							131,372,835	115,502,642
Segment liabilities	(2,762,080)	(3,722,527)	(23,759,131)	(21,644,906)	(556,843)	(341,126)	(27,078,054)	(25,708,559)
Unallocated liabilities							(13,062,134)	(5,703,955)
Total liabilities							(40,140,188)	(31,412,514)
OTHER INFORMATION								
Capital expenditure	4,543,617	1,245,957	9,773,069	7,139,403	173,364	2,280	14,490,050	8,387,640
Depreciation and amortisation	2,206,807	2,140,801	1,283,969	1,254,024	147,656	12,084	3,638,432	3,406,909
Non cash items other than depreciation and amortisation	(90,648)	257,994	962,161	1,030,498	546	-	872,059	1,288,492

Notes to the Financial Statements
(Continued)

22. SEGMENTAL INFORMATION (CONTD.)

(ii) Geographical segments

In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets:

	Malaysia		Singapore		Consolidated	
	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM
Revenue	180,703,200	161,957,782	8,119,528	9,163,190	188,822,728	171,120,972
Segment assets	129,071,383	113,242,121	1,914,650	2,024,676	130,986,033	115,266,797
Capital expenditure	14,479,775	8,382,249	10,275	5,391	14,490,050	8,387,640

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in the financial statements, other related party information is set out below:

	GROUP	
	2004 RM	2003 RM
With Grafton Pharmasia Pte. Ltd.		
- sale of goods	4,904,944	5,806,034
- purchase of goods	1,785,528	2,344,203
With Grafton Laboratories Pte. Ltd		
- royalties payable	100,581	230,139

Grafton Pharmasia Pte. Ltd. and Grafton Laboratories Pte. Ltd. are both subsidiary companies of United Medicorp Pte. Ltd., which holds 30% (2003: 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.

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Notes to the Financial Statements
(Continued)

24. 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	
	2004 RM	2003 RM	2004 RM	2003 RM
Contracted for	3,221,967	9,900,465	-	-
Not contracted for	11,441,601	4,616,480	293,190	300,000
	14,663,568	14,516,945	293,190	300,000

(b) Operating lease commitments

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

	GROUP	
	2004 RM	2003 RM
No later than one year	2,090,787	2,532,340
Later than one year and no later than five years	2,171,260	2,119,342
	4,262,047	4,651,682

25. CONTINGENT LIABILITIES

	COMPANY	
	2004 RM	2003 RM
Corporate guarantees in respect of credit facilities utilised by subsidiary companies	11,804,074	4,038,239

26. SIGNIFICANT EVENTS DURING THE YEAR

- (a) On 12th July 2004, the Company entered into a Conditional Share Sale Agreement with Watson's Personal Care Stores Sdn Bhd ("WS") to dispose its wholly owned subsidiary, Apex Pharmacy Sendirian Berhad ("APSB") whose principal activity is retail pharmacy for an indicative sale consideration of RM14 million.

On 11th December 2004, the Company announced the non-completion of the Conditional Share Sale Agreement because WS was unable to obtain the approval of the Foreign Investment Committee of Malaysia for the acquisition by that date.

26. SIGNIFICANT EVENTS DURING THE YEAR (CONTD.)

- (b) On 18th November 2004, the Company's wholly-owned subsidiary, Apex Pharmacy International Sdn. Bhd. ("API") entered into the following six agreements with Xiamen Maidiken Science and Technology Co Ltd ('XMST'), Mr Wu Jin Xiang ('WJX') and Mr Wu Jin He ('WJH'), namely:
- Agreement on Share Transfer, Increase Capital Subscription and Change of Establishment into Foreign Invested Enterprise between API, XMST, WJX and WJH;
 - Contract for Sino-Foreign Equity Joint Venture between API and WJX;
 - Articles of Association of XMST between API and WJX;
 - Call Option Agreement between API and WJX;
 - Consultancy Service Agreement between API and WJX; and
 - Profit Guarantee Agreement between API and WJX;
- to acquire forty (40) percent equity interest in XMST for a total consideration of Renminbi 40 million equivalent to RM18.4 million. The acquisition is subject to the fulfilment of certain conditions precedent, which remain uncompleted to date.
- (c) A subsidiary company within the Group has entered into a Sale and Purchase Agreement with CWM Properties Sdn. Bhd. on 3rd November 2004 for the disposal of three units of one and a half storey of light industrial terrace factory at Bandar Sunway, Petaling Jaya for a total consideration of RM1.7 million. The disposal is pending the fulfilment of certain conditions precedent which remain uncompleted at the balance sheet date.

27. FINANCIAL INSTRUMENTS

(a) 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 risks management and financial, organisational, operational and compliance controls so as to safeguard shareholders' interest and the Group's assets.

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

(b) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of foreign currency transactions entered into in currencies other than their functional currencies by the subsidiary companies. 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.

The currency exposure profiles of the Group's financial assets and liabilities are disclosed in the relevant notes to the financial statements.

27. FINANCIAL INSTRUMENTS (CONTD.)

(b) Foreign currency exchange risk (contd.)

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

At 31st December 2004:

Functional currency of Group companies	Euro Dollar RM	Singapore Dollar RM	Total RM
Ringgit Malaysia			
Trade receivables	-	256,990	256,990
Trade payables	67,218	96,644	163,862
	67,218	353,634	420,852

At 31st December 2003:

Functional currency of Group companies	Euro Dollar RM	Singapore Dollar RM	Total RM
Ringgit Malaysia			
Trade receivables	-	224,479	224,479
Trade payables	10,073	121,245	131,318
	10,073	345,724	355,797

As at balance sheet date, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:

At 31st December 2004

Currency	Maturities within one year RM
Singapore Dollar	1,268,090
US Dollar	252,360
	1,520,450
At 31st December 2003	
Singapore Dollar	1,247,976

27. FINANCIAL INSTRUMENTS (CONTD.)

(c) 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.

The weighted average effective interest rate and the average maturity periods of the Group's interest bearing financial assets and liabilities are as disclosed in the relevant notes to the financial statements.

(d) 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 subject 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 customers to be unlikely.

(e) 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.

(f) Fair Value

The following methods and assumptions were used to estimate the fair values of the following classes of financial instruments of the Group and of the Company:

Financial instruments recognised in the financial statements:

- (i) Receivables, payables, inter-company balances, deposits with licensed banks and cash and bank balances

The carrying amounts approximate fair value due to the relatively short maturity of these financial instruments.

- (ii) Term loan

The carrying amounts approximate fair value due to the effective interest rate of the term loan approximates the prevailing market rate.

Financial instruments not recognised in the financial statements:

- (i) Forward Foreign Exchange Contracts

The notional amounts approximate fair value due to the relatively short term maturity of the forward contract.

- (ii) Contingent liabilities

It is not practicable to estimate the Company's fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

List of Properties

as at 31 December 2004

	Registered Owner & Address	Land area sq.metres	Built-up area sq.metres	Existing use/ Description	Tenure/ (Expiry date) Age of building	Net Book Value as at 31/12/04	Date of last revaluation/ acquisition
AHEALTH PROPERTIES SDN BHD							
1	Unit No. F120 First Floor, Holiday Plaza, Jalan Dato' Sulaiman, Century Garden, Johor Bahru, Johor Darul Takzim	-	159	Leased / 1 parcel of commercial space located on the 1st floor of Holiday Plaza	Freehold / - 20 years old	1,191,942	Acquired - Aug 2004
2	Unit No. B5 Level 1, Block B, Pusat Bandar Damansara, Jalan Damanlela, Kuala Lumpur	-	116	Leased / 1 unit of intermediate shoplots	Freehold / - 20 years old	740,857	Acquired - Aug 2004
3	Unit No. B6 Level 1, Block B, Pusat Bandar Damansara, Jalan Damanlela, Kuala Lumpur	-	133	Pharmacy outlet / 1 unit of intermediate shoplots	Freehold / - 20 years old	843,114	Acquired - Aug 2004
4	Lot No. 99, Town Area XXXVIII (38), District of Melaka Tengah, Melaka	156	272	Vacant / 2- storey shophouse	Leasehold / (exp. 2075) 30 years old	202,098	Acquired - July 2004
5	Lot No. 564, 569 & 571 Town Area XIX (19) District of Melaka Tengah, Melaka	130	330	Pharmacy outlet / 3- storey shophouse	Freehold / - 40 years old	455,781	Acquired - Apr 2004
6	Unit No. 48 Erected on Lot No. PT 1718 Town Area XXI (21) District of Melaka Tengah, Melaka	137	603	Warehouse cum office / 4 1/2 - storey shop office	Leasehold / (exp. 2084) 14 years old	813,213	Acquired - Aug 2004
7	Lot No. PT 1889, 1890 & 1891, Town of Bandar Sunway District of Petaling Selangor Darul Ehsan	775	829	Warehouse / 2 adjoining intermediate units & 1 corner unit of 1 1/2 storey light industrial terrace factory	Leasehold / (exp. 2096) 13 years old	1,590,130	Acquired - July 2004
8	Unit No. H-G-33 (D) AH - 106, Batu Kawah New Township, Jalan Batu Kawa, Kuching, Sarawak	98	98	Warehouse / Ground Floor, Block H, Commercial (D) Plot 14	Leasehold / (exp. 2058) 4 years old	231,926	Acquired - Aug 2004

List of Properties
as at 31 December 2004
(Continued)

	Registered Owner & Address	Land area sq.metres	Built-up area sq.metres	Existing use/ Description	Tenure/ (Expiry date) Age of building	Net Book Value as at 31/12/04	Date of last revaluation/ acquisition
9	Unit No. H-G-33A (F1) AH - 107, Batu Kawah New Township, Jalan Batu Kawa, Kuching, Sarawak	127	127	Warehouse cum office / Ground Floor, Block H, Commercial (D) Plot 14	Leasehold / (exp. 2058) 4 years old	363,432	Acquired - Aug 2004
XEPA-SOUL PATTINSON (MALAYSIA) SDN BHD							
10	Lot Nos. PT 1375, 1376 & 1377, Mukim of Bertam, District of Melaka Tengah, Melaka (Cheng Industrial Estate - Phase 1)	29,264	9,427	Factory Complex / 1 1/2 - storey Factory Building	Leasehold / (exp. 2096) 12 years old	12,998,967	Revalued - Apr 2004
11	Lot Nos. PT 1374 Mukim of Bertam, District of Melaka Tengah, Melaka (Cheng Industrial Estate - Phase 1)	9,698	-	Car park	Leasehold / (exp. 2096)	1,634,058	Revalued - Apr 2004
APEX PHARMACY MARKETING SDN BHD							
12	H.S. (D) 4636, No. Lot 4892 Mukim Damansara, Daerah Petaling, Negeri Selangor	10,116	929	Industrial Land / Corporate Office and Distribution Centre under construction	Freehold	5,450,000	Revalued - Apr 2004
		40,384	12,095			26,515,518	

Revaluation Policy:

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

Analysis of Shareholdings

Authorised Share Capital	:	RM 100,000,000
Issued and Fully Paid-up Capital	:	RM 67,432,700
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	1 Vote per Ordinary Share

ANALYSIS OF SHAREHOLDINGS as at 21st March 2005

Category	No. of holders	Percentage (%)	No. of shares	Percentage (%)
1 - 99	12	0.57	567	0.00
100 - 1000	219	10.47	189,413	0.28
1,001 - 10,000	1,646	78.68	4,757,437	7.06
10,001 - 100,000	176	8.41	3,932,400	5.83
100,001 - 3,371,634	37	1.77	21,475,735	31.85
3,371,635 AND ABOVE	2	0.10	37,077,148	54.98
Total	2,092	100.00	67,432,700	100.00

TOP 30 SHAREHOLDERS as at 21st March 2005

	Names of Shareholders	No. of shares held	Percentage %
1	Apex Pharmacy Holdings Sendirian Berhad	26,260,006	38.94
2	Washington H. Soul Pattinson and Company Limited	10,817,142	16.04
3	Employees Provident Fund Board	2,326,300	3.45
4	Bank Pembangunan Dan Infrastruktur Malaysia Berhad	2,022,501	3.00
5	Bank Pembangunan Dan Infrastruktur Malaysia Berhad	1,969,999	2.92
6	Bank Pembangunan Dan Infrastruktur Malaysia Berhad	1,969,999	2.92
7	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)</i>	1,891,300	2.80
8	Bank Pembangunan Dan Infrastruktur Malaysia Berhad	1,488,156	2.21
9	Bank Pembangunan Dan Infrastruktur Malaysia Berhad	1,372,500	2.04
10	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Amanah Saham Didik</i>	1,278,000	1.90
11	Lim Teh Realty Sdn Berhad	928,000	1.38
12	Washington H. Soul Pattinson and Company Limited	645,000	0.96

Analysis of Shareholdings
(Continued)

TOP 30 SHAREHOLDERS
as at 21st March 2005 (contd.)

	Names of Shareholders	No. of shares held	Percentage %
13	Md Ali Bin Md Dewal	643,108	0.95
14	Rosina Binti Aladad Khan	450,000	0.67
15	Bumiputra-Commerce Trustee Berhad <i>Amanah Saham Darul Iman</i>	435,000	0.65
16	Tan Yan Meng Warren	337,500	0.50
17	Cimsec Nominees (Asing) Sdn Bhd <i>CIMB for Kee Kirk Chin (PB)</i>	315,000	0.47
18	Tengku Puan Nor Sa'adah Binti Al-Marhum Sultan Sulaiman Shah	273,972	0.41
19	Teoh Choon Neo @ Ivy Teoh Choon Neo	250,000	0.37
20	Tan Yan Meng Warren	225,000	0.33
21	Apex Pharmacy Holdings Sendirian Berhad	224,500	0.33
22	Ahmad Kamal Bin Md. Alif	210,000	0.31
23	Ang Kai Chan	170,500	0.25
24	Chan Leong Cheng	160,000	0.24
25	Eng Nominees (Tempatan) Sdn Bhd <i>Kim Eng Securities Pte Ltd for Lem Kim Wan @ Lim Hong Gee</i>	157,500	0.23
26	HDM Nominees (Asing) Sdn Bhd <i>DBS Vickers Secs (S) Pte Ltd for Cheah Hwei-Fe'n</i>	153,900	0.23
27	Fam Keat Hong	150,300	0.22
28	Ki Tak Sang @ Kee Tak Sang	150,000	0.22
29	Lai Man Sik	144,000	0.21
30	Leong Wai Kuen	132,000	0.20
		57,551,183	85.35

Analysis of Shareholdings
(Continued)

SUBSTANTIAL SHAREHOLDERS

as at 21st March 2005

(per Register of Substantial Shareholders)

Shareholders	Direct		Indirect	
	No. of ordinary shares	%	No. of ordinary shares	%
Apex Pharmacy Holdings Sendirian Berhad	26,484,506	39.28	-	-
Washington H. Soul Pattinson and Company Limited	11,462,142	17.00	-	-
Bank Pembangunan dan Infrastruktur Malaysia Berhad	8,823,155	13.08	-	-
Xepa Holdings Sendirian Berhad	45,000	0.07	26,484,506 ⁽¹⁾	39.28
United Medicorp Pte Ltd	-	-	26,484,506 ⁽¹⁾	39.28
Apex Holdings (Pte) Ltd	-	-	26,529,506 ⁽¹⁾	39.34
Xepa Holdings Pte Ltd	-	-	26,529,506 ⁽¹⁾	39.34
Kee Tah Peng @ Hee Teck Peng	15,000	0.02	26,529,506 ⁽¹⁾	39.34
Dr Kee Kirk Chin	315,000	0.47	26,529,506 ⁽¹⁾	39.34
Yang Liew Fang	-	-	26,529,506 ⁽¹⁾	39.34
Kee Kirk Chuen	30,000	0.04	26,529,506 ⁽¹⁾	39.34
Dr Kee Loo	-	-	26,529,506 ⁽¹⁾	39.34
United Engineers Limited	-	-	26,484,506 ⁽¹⁾	39.28

Notes:

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

DIRECTORS' SHAREHOLDINGS

as at 21st March 2005

(per Register of Directors Shareholdings)

Name of Directors	Direct		Indirect	
	No. of ordinary shares	%	No. of ordinary shares	%
Kee Tah Peng @ Hee Teck Peng	15,000	0.02	26,529,506 ⁽¹⁾	39.34
Dr Kee Kirk Chin	315,000 ⁽²⁾	0.47	26,529,506 ⁽¹⁾	39.34
Ki Tak Sang @ Kee Tak Sang	200,000	0.30	-	-
Jackson Chevalier Yap-Kit-Siong	15,000	0.02	-	-
Robert Dobson Millner	15,000	0.02	-	-
Hj Mohd Ramli Bin Samian	15,000	0.02	-	-
Leong Khai Cheong	15,000	0.02	-	-
Md Ali Bin Md Dewal	643,108	0.96	-	-
Dr Ahmad Kamal Bin Md Alif	210,000	0.31	-	-
Peter Raymond Robinson (alternate to Robert Dobson Millner)	15,000	0.02	-	-

Notes:

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

(2) Held through nominee company.

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/her, _____ of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Bunga Melati Room, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Tuesday, 24th May 2005 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 the Statutory Financial Statements for the financial year ended 31 December 2004 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 2004		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2004		
4.	To re-elect Ki Tak Sang @ Kee Tak Sang retiring in accordance with Article 89 of the Company's Articles of Association		
5.	To re-elect Md Ali bin Md Dewal retiring in accordance with Article 89 of the Company's Articles of Association		
6.	To re-elect Dr Ahmad Kamal bin Md Alif 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 re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration		
9.	SPECIAL BUSINESS To authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
10.	To renew the Shareholders' Mandate for recurrent related party transactions		

*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 _____ 2005

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 its 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 Bursa Malaysia Securities Berhad, 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 Apex Pharma Distribution Centres

Apex Pharmacy Marketing Sdn Bhd

	ADDRESS	TELEPHONE NUMBER	FAX NUMBER	CONTACT PERSON
1	BANDAR SUNWAY 24-30, Jalan PJS 11/5, Bandar Sunway, 46150 Petaling Jaya, Selangor D.E.	03-5636 2892/3/4 (Sales) 03-5636 2929 (General)	03-5633 4795 (Sales) 03-5635 3033 (Marketing) 03-5632 1622 (Headquarters)	Mr Tan Hing Tai - Executive Director Ms Lee Siew Bee - Finance and Admin Manager Mr Lim Ein Heng - Asst General Mgr Mr Bernard Mah - Sales Manager Ms Tan Pei Leng - Wholesale Manager
2	IPOH 2-4, Medan Bendahara 2 Medan Bendahara 31650 Ipoh, Perak	05-254 5833 05-253 6307	05-253 2212	Mr Choong Foo Peng - Senior Branch Manager
3	MALACCA 134/1, Kompleks Perniagaan Munshi Abdullah Jalan Munshi Abdullah, 75100 Melaka	06-282 2168 06-282 8695	06-283 7704	Mr Tan Teck Beng - Senior Branch Manager
4	SEREMBAN No. 18, Jalan Dato Abdul Rahman, 70000 Seremban	06-764 2810	06-767 0327	Mr Tan Teck Beng - Senior Branch Manager
5	JOHOR BARU 21, Jalan Permas 9/12, Bandar Baru Permas Jaya 81750 Masai, Johor	07-386 2440 07-386 2449	07-386 2771	Ms Yong May Ken - Senior Branch Manager
6	KOTA BHARU PT 533/A & 534/A, Taman Murni, Jalan Pengkalan Chepa, 16100 Kota Bharu, Kelantan	09-774 3666	09-774 1118	Mr Lau Ah Tee - Assistant General Manager
7	PENANG 60, Jalan Mesjid Negeri 11600 Pulau Pinang	04-659 6520 04-659 6522	04-659 6521	Ms Ang Girl Bee - Branch Manager
8	KOTA KINABALU Lot 24, Karamunsing Warehouse Jalan Sembulan Lama, Karamunsing 88000 Kota Kinabalu, Sabah	088-270100 088-270200	088-270300	Ms Chan Jit Ngo - Branch Manager
9	KUCHING AH 106-107 Batu Kawah New Township Jalan Batu Kawa 93250 Kuching, Sarawak	082-451119 082-459398	082-578 418	Ms Hui Lai Fong - Branch Manager

ABio Marketing Sdn Bhd

No. 24, Jalan PJS 11/5
Bandar Sunway, 46150 Selangor D.E.

03-56313753

03-56353033

Mr Then Tat Ying
- Marketing Manager