

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
Senior Management	15
Corporate Governance Statement	16
Report of the Audit Committee	20
Report of the Remuneration Committee	24
Report of the Nomination Committee	26

FINANCIAL STATEMENTS

Directors' Report	28
Statement by Directors	33
Statutory Declaration	33
Report of the Auditors	34
Income Statements	35
Balance Sheets	36
Consolidated Statement of Changes in Equity	37
Company Statement of Changes in Equity	38
Cash Flow Statements	39
Notes to the Financial Statements	40

List of Properties	57
Analysis of Shareholdings	59
Form of Proxy	

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of Apex Healthcare Berhad ("AHB" or "the Company") will be held at Bunga Melati Room, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Wednesday 22nd May 2002 at 10.30 a.m.

1. To receive and adopt the Statutory Financial Statements for the financial year ended 31st December 2001 together with the Directors' and Auditors' Reports thereon.

Resolution 1

2. To declare a final tax-exempt dividend of four (4) sen per share for the financial year ended 31st December 2001.

Resolution 2

3. To approve the payment of Directors' fees for the financial year ended 31st December 2001.

Resolution 3

4. To re-elect the following Directors who retire by rotation in accordance with Article 89 of the Company's Articles of Association and being eligible offer themselves for re-election:-

- i. Dr Kee Kirk Chin
- ii. Md Ali Bin Md Dewal
- iii. Mohd Ramli Bin Samian

Resolution 4

Resolution 5

Resolution 6

5. To re-elect Dr Ahmad Kamal Bin Md Alif who retires in accordance with Article 83 of the Company's Articles of Association and being eligible offers himself for re-election.

Resolution 7

6. To consider and if thought fit, to pass the following resolution as an ordinary resolution:-

"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 8

7. To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration.

Resolution 9

Special Business

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

8. **As Ordinary Resolution**
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 the Kuala Lumpur Stock Exchange 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 10

9. **As Ordinary Resolution**
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 ("Act"), the Memorandum and Articles of Association of the Company, and the Listing Requirements of the Kuala Lumpur Stock Exchange, 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 30th April 2002 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 is 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 authorized to complete and do all such acts and things as they may consider expedient or necessary to give effect to the shareholders' mandate".

Resolution 11

- 10. 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 tax-exempt dividend of 4 sen per share for the financial year ended 31st December 2001, if approved, will be paid on 28th June 2002. The entitlement date for the payment is 3rd June 2002.

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

- a) Shares transferred into the Depositor's Securities Accounts before 12.30 p.m. on 3rd June 2002 in respect of ordinary transfer; and
- b) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

BY ORDER OF THE BOARD

YEOH CHONG KEAT (MIA 2736)

KWONG LIEN WAH (MIA 3422)

Secretaries

Melaka

30th April, 2002

NOTES:

- (i) A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies, and in the case of a corporation, a duly authorised representative to attend and vote in his stead.
- (ii) A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.
- (iii) 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.
- (iv) 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 ON SPECIAL BUSINESS**Resolution 10**

This Ordinary Resolution 10 proposed under Agenda 8, 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 will, unless revoked or varied by the Company at a General Meeting, expire at the next Annual General Meeting of the Company.

Resolution 11

This Ordinary Resolution 11 proposed under Agenda 9, 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 30th April 2002 despatched together with the Annual Report. This authority will, unless revoked or varied by the Company at a General Meeting, expire at the next Annual General Meeting of the Company.

The Statement accompanying this notice is contained on page 5 of the Annual Report.

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 Dr Kee Kirk Chin, Md Ali Bin Md Dewal and Mohd Ramli Bin Samian.

Dr Ahmad Kamal Bin Md Alif is standing for re-election under Article 83 of the Company's Articles of Association.

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	Attendance of Board Meetings in 2001				Total
	Feb	May	Aug	Nov	
Kee Tah Peng @ Hee Teck Peng	•	•	•	•	4
Dr Kee Kirk Chin	•	•	•	•	4
Md Ramli bin Samian	•	•		•	3
Md Ali bin Md Dewal	•	•	•		3
Dr Ahmad Kamal bin Md Alif #			•	•	2

Appointed on 23rd May 2001

3. The Place, Date and Hour of the Meetings

Details of the place, date and hour of the Board meetings held during 2001 are as follows:

Date	Hour	Place
21 st February 2001	10:00 a.m.	Board Room, Xepa-Soul Pattinson (Malaysia) Sdn Bhd, 1-5 Cheng Industrial Estate, 75250 Melaka
23 th May 2001	11:00 a.m.	Bunga Melati Room, 7 th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka
16 th August 2001	11:00 a.m.	Bunga Melati Room, 7 th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka
21 st November 2001	10.30 a.m.	Board Room, Xepa-Soul Pattinson (Malaysia) Sdn Bhd, 1-5 Cheng Industrial Estate, 75250 Melaka

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

Details of all directors, including those standing for re-election or re-appointment, are found on page 8. The shareholdings of the directors as at 19th March 2002 are found on page 62.

BOARD OF DIRECTORS



**Mr. Kee Tah Peng
@ Hee Teck Peng**
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**



**En. 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

AUDITORS

PricewaterhouseCoopers
Public Accountants
12th Floor, Bangunan Yayasan Melaka
Jalan Hang Tuah
75300 Melaka

LEGAL ADVISORS

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

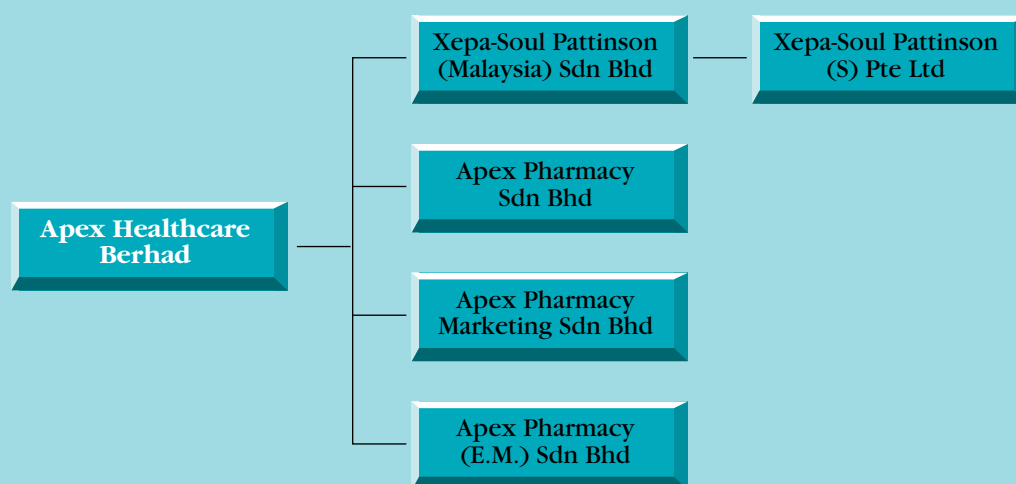
SHARE REGISTRARS

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

STOCK EXCHANGE LISTING

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

corporate structure



All wholly owned subsidiaries of Apex Healthcare Berhad

KEE TAH PENG @ HEE TECK PENG

Executive Chairman

Kee Tah Peng @ Hee Teck Peng, 71, a Singaporean, was appointed to the Board on 15th February 2000 and as Executive Chairman of the Company on 3rd March 2000. 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 40% equity in the Company. Save as disclosed above and in the attached Circular on the Proposed Renewal of 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 2001. He has had no convictions for any offences within the past 10 years.

DR KEE KIRK CHIN

Group Managing Director

Dr. Kee Kirk Chin, 40, a Singaporean, was appointed to the Board on 15th February 2000 and as the Group 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 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 (6) Asian countries involved in pharmaceuticals, clinical equipment, hospital support services and private hospitals.

He is the son of Kee Tah Peng and the nephew of Ki Tak Sang. He is deemed to be a substantial shareholder of the Company as he is a substantial shareholder and Director of Apex Pharmacy Holdings Sdn Bhd, which holds 40% equity in the Company. Save as disclosed above and in the attached Proposed Renewal of the Circular on the Shareholders' Mandate on Recurrent Related Party Transactions, he does not have any family relationships with any other director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2001. 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, 58, 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 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 Bhd, a company listed on the Main Board of the Kuala Lumpur Stock Exchange. He was conferred with a PJK medal in 1996 and the JP in 2001 by the Yang Di Pertua Negeri Melaka.

He is the cousin of Kee Tah Peng and uncle of Dr Kee Kirk Chin. He is a Director of Apex Pharmacy Holdings Sdn Bhd, which holds 40% equity in the Company. Save as disclosed above and in the attached Circular on the Proposed Renewal of 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 2001. 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, 50, a Singaporean, was appointed as a Non-Executive Director of the Company on 15th February 2000. He is currently the Chairman of the Remuneration and Nomination Committees. He graduated with a Bachelor of Engineering with Honours from University of Auckland, New Zealand in 1974 under a Colombo Plan Scholarship.

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

He is a director of Apex Pharmacy Holdings Sdn Bhd, which holds 40% equity in the Company. Save as disclosed above and in the attached Circular on the Proposed Renewal of 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 all of the four Board Meetings held in the financial year ended 31st December 2001. He has had no convictions for any offences within the past 10 years.

ROBERT DOBSON MILLNER

Non-Executive Director

Robert D. Millner, 51, an Australian, was appointed as a Non-Executive Director of the Company on 23rd February 2000. He was a farmer and grazier prior to joining the Board of Washington H Soul Pattinson & Co Limited ("WHSP") in 1984, a company listed on the Australian Stock Exchange with principal activities in properties, coal mining, bulk handling, commercial television, manufacturing, wholesaling and retailing of pharmaceutical products, essences, food colours, perfumes and aromatic chemicals, fruit juices and reconstitution and extrusion of polyethylene. He was appointed Deputy Chairman of WHSP in 1997, becoming its Chairman in 1998. He is also the Chairman of Brickworks Limited, Choiseul Investments Limited, Keith Harris & Co Limited, and Director on the Boards of Clover Corporation Limited, Milton Corporation Limited, Australian Pharmaceutical Industries Limited and Bristle Corporation 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 17.5% 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 2001. He has had no convictions for any offences within the past 10 years.

MOHD RAMLI BIN SAMIAN

Non-Executive Director

Mohd Ramli bin Samian, 51, a Malaysian, was appointed as a Non-Executive Director of the Company on 25th February 2000. He is a Chartered Management Accountant from the Chartered Institute of Management Accountants, United Kingdom, since 1975 and subsequently pursued Post-Graduate studies in Advertising Administration from Watford University, UK in 1976. Upon returning to Malaysia in 1976, he joined Bank Pembangunan holding various positions in the Bank and has been the General Manager of the Infrastructure Banking Sector since 1999.

He does not have any family relationship with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended three of the four Board Meetings held in the financial year ended 31st December 2001. He has had no convictions for any offences within the past 10 years.

LEONG KHAI CHEONG

Independent Non-Executive Director

Leong Khai Cheong, 51, a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 18th February 2000. He is also the Chairman of the Audit Committee and member of the Remuneration and Nomination Committees. He is a qualified Certified Accountant, a Fellow of the Association of Chartered Certified Accountants, UK, a Certified Public Accountant, Singapore, as well as a registered member of the Malaysia Institute of Accountants. He holds associate membership of the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators. He was the General Manager – Finance and Control with George Kent (M) Bhd until he joined Singapore listed United Engineers Limited (“UEL”) as its General Manager for Group Finance and Administration from 1988 to 1996. He is currently a director of a private Malaysian company involved in the manufacture and assembly of engineering and other equipment and provision of engineering services for the water industries.

He does not have any family relationship with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31st December 2001. He has had no convictions for any offences within the past 10 years.

MD. ALI BIN MD. DEWAL

Senior Non-Executive Independent Director

Md. Ali bin Md. Dewal, 61, a Malaysian, was appointed as an Independent Non-Executive Director of AHB on 29th February 2000. He is also a member of the Audit Committee and the Senior Non-Executive Independent Director. He graduated with a Diploma in Estate Management in 1967 and an MBA majoring in Corporate Finance from Tulane University in New Orleans, United States of America. He has wide experience in both industrial and financial sectors, having worked at senior levels in Sime Darby Group Berhad, United Malayan Banking Corporation Berhad and Cahya Mata Sarawak Berhad. He is currently Chairman and Chief Executive of Madon Sdn Bhd.

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 three of the four Board Meetings held in the financial year ended 31st December 2001. He has had no convictions for any offences within the past 10 years.

DR AHMAD KAMAL BIN MD. ALIF

Independent Non-Executive Director

Dr Ahmad Kamal bin Md Alif, 55, a Malaysian, was appointed as Independent Non-Executive Director of the Company on 23rd May 2001. He is member of the Audit, Remuneration and Nomination Committees. He graduated with a M.B.B.S. in 1972 from the University of Malaya's Faculty of Medicine and trained as a radiologist at the Royal Free Hospital, London under a Colombo Plan scholarship from 1975 to 1978. He is a Fellow of the Royal College of Radiologists (England) and a member of the Academy of Medicine (Malaysia). He was appointed as Assistant Lecturer, Faculty of Medicine UKM, in 1973, eventually becoming Associate Professor and Head of the Department of Radiology UKM in 1978. He was also the Deputy Dean, Faculty of Medicine, UKM, from 1982 – 1983. He left for private practice in 1984 and is currently practising as a Consultant Radiologist with The Southern Hospital, Melaka, of which he was a founding partner.

He does not have any family relationship with any director and/or major shareholder of the Group, nor any personal interest in any business arrangement involving the Company. As he was only appointed on 23rd May 2001, he attended two of the four Board Meetings held in the financial year ended 31st December 2001. He has had no convictions for any offences within the past 10 years.

PETER RAYMOND ROBINSON

Alternate Director to Mr. Robert D. Millner

Peter R. Robinson, 49, an Australian, was appointed as an Alternate Director to Mr. Robert D. Millner of the Company on 2nd April 2001. He graduated with a Bachelor of Commerce from the University of New South Wales, Australia in 1973. He started his career in the wholesales liquor industry before joining WHSP in 1978 as General Manager of its Wholesale division, later becoming General Manager - Pharmacy, responsible for pharmaceutical wholesaling, manufacturing and retailing. In 1993, he was appointed as the Group General Manager and Chief Executive Officer of WHSP. He is a Director on the Boards of WHSP, Australian Pharmaceutical Industries Limited, Keith Harris & Co. Limited and Clover Corporation Limited, all of which are companies listed on the Australian Stock Exchange.

Peter Robinson is a Director of WHSP, which holds 17.5% 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 two of the four Board Meetings held in the financial year ended 31st December 2001. He has had no convictions for any offences within the past 10 years.

On behalf of the Board of
Directors I have pleasure in
presenting the annual report
for the year ended
31st December 2001.

Mr. Kee Tah Peng
@ Hee Teck Peng
(Executive Chairman)



For the year, the Group achieved a turnover of RM 136.6 million, an increase of 11.9% over the previous financial year. Profit before tax was RM11.1 million, which represents an increase over the previous year of 7.4%.

DIVIDEND

The Directors are pleased to recommend a final tax-exempt dividend of 4 sen per share. Together with the interim dividend of 3 sen per share, the total dividend for the financial year amounts to 7 sen a share tax-exempt.

EMPLOYEE SHARE OPTION SCHEME

At the Extraordinary General Meeting ("EGM") of the Group held on 16th August 2001, shareholders approved the Employee Share Option Scheme ("ESOS"), which is part of the Group's system of motivating employees by linking rewards to performance as well as fostering a sense of participation and ownership.

SHAREHOLDERS' MANDATE

At the EGM, shareholders also voted in favour of a 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 ended 31st December 2001 was RM 6.9 million. The transactions pertain to the distributorship of the Group's pharmaceuticals in Singapore, supply of consumer products to the Group's marketing and distribution operations in Malaysia and licenses for the Group to manufacture, sell and distribute medicated powders under the well established 'Agnesia' brand name. 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.

CORPORATE GOVERNANCE

The new Kuala Lumpur Stock Exchange Listing Requirements and the Malaysian Code on Corporate Governance came into effect in 2001 and both Board and Management have put in much effort to ensure that the Group complies with these requirements. Your Board supports the move towards stronger corporate governance and looks forward to further refinements in this important area.

Accordingly, Board size and composition was adjusted in 2001 with the resignations of Mr Michael Millner, Puan Rokiah bte Rajak, Mr Warren Tan and En Md Diah bin Mohammad,

and the reappointment of Mr Peter Robinson as an alternate director, as mentioned in the 2000 Annual Report. On behalf of the Group and the Board I welcome Dr Ahmad Kamal, a distinguished radiologist, to the Board as a non-executive independent director. The Board has therefore achieved the balance as specified in the principles of the Code of Corporate Governance.

BUSINESS REVIEW

Health care expenditure in Malaysia and the region is expected to grow at a steady pace for the foreseeable future in line with population growth and increasing affluence, with corresponding growth in the pharmaceutical sector. Management has worked hard to ensure that the Group is well positioned to benefit from the opportunities that will arise.

MANUFACTURING

Review of Operations

2001 was a busy year for the manufacturing subsidiary, Xepa-Soul Pattinson (Malaysia) Sdn Bhd ("XSP") with the completion of major capital and quality programmes. In January, a new building marked the commissioning of the Supply Chain Management Centre to improve customer service. At the same time, XSP's Laboratory was awarded ISO/IEC 17025 certification. June saw the commissioning of XSP's dedicated Cephalosporin manufacturing facility. Eight new production related machines were commissioned and validated: a GS Coater, a SERAC filling machine, a GUK leaflet folder, a V-Mixer, a Fette 1200 machine, HAPA printers and Zanasi capsuling machines, increasing both capacity and capabilities. New products launched during the year included the antibiotic Vestaclav, a lipid lowering drug Covastin and a non-sedative antihistamine, Ezede'.

Review of Prospects

During the current financial year, XSP will introduce further new products while the recently launched Covastin and Ezede' are expected to increase their market penetrations. XSP expects to secure certification for the ISO 9001:2000 Quality Management System in the coming year, marking another milestone in its commitment to achieving total quality.



RETAIL

Review of operations

The weak domestic economy and a fall in consumer confidence affected the retail business, which nevertheless continued to contribute positively to the Group. In October 2001, a new Apex Pharmacy was opened in Putrajaya, making it the first retail pharmacy outlet in the area. In keeping with market trends, Apex Pharmacy is placing greater emphasis on local herbal and natural products and is constantly undergoing a process of renewal to thrive in a competitive market to cater for increasingly discriminating tastes. Behind the scenes, the continued implementation of computerised point-of-sales is making inventory control more efficient.

Review of Prospects

A constraint on the expansion of retail operations has hitherto been the availability of good locations for new pharmacy outlets. Management is working on placing Apex Pharmacies in major shopping areas and raising its visibility to a new generation of shoppers. At the same time, the retail division has been refining new retail concepts to stay in the forefront of fast-changing consumer trends.

MARKETING AND DISTRIBUTION

Review of Operations

During the second half of the year, the wholesale and distribution operations of Apex Pharmacy (E.M.) Sdn Bhd ("APEM") were injected into Apex Pharmacy Marketing Sdn Bhd so that all the wholesale and marketing operations of the group are now consolidated under one umbrella. APEM is now dormant. As expected this has led to improvements in co-ordination and increased operational efficiency.

This move was made possible by the use of improved communications technologies and the division's Virtual Private Network enables East Malaysia to share the same information infrastructure as operations on the peninsula. The Penang depot was opened during the

year and increased the comprehensiveness of the division's distribution network and improved coverage of the northern states.

In 2001, the division secured the rights to distribute well known healthcare products such as Panadol and Zentel to private clinics and hospitals and Vidal Sassoon hair dryers, Eye-Mo, Scotts Emulsion and Aquafresh to pharmacies.

Review of Prospects

During the current year, the division is implementing further improvements to its distribution network and competing aggressively in sales to pharmacies and private clinics; this is expected to increase market share in these sectors. Effort is being directed towards enhancing relationships with principals, building the marketing network and identifying high value-added product lines for distribution with the ultimate aim of increased penetration in existing markets segments and the development of new segments.

ACKNOWLEDGMENTS

Group management and staff have demonstrated great unity and resilience in propelling the group to new heights during a tumultuous and newsworthy year and the Board of Directors is confident that these qualities will help the Group make the most of opportunities as economic recovery gathers momentum.

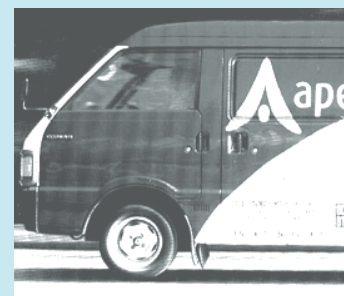
On behalf of my fellow Directors, I would like to thank our loyal customers, suppliers and partners for their unstinting support and look forward to another mutually beneficial year of growth together.

Yours sincerely

KEE TAH PENG
Executive Chairman

APEX HEALTHCARE BERHAD (473108-1)

ANNUAL REPORT 2001





Mr. Kee Tah Peng @ Hee Teck Peng
Executive Chairman,
Apex Healthcare Berhad



Dr. Kee Kirk Chin
Group Managing
Director,
Apex Healthcare Berhad



**Mr. Ki Tak Sang
@ Kee Tak Sang**
Executive Director,
Apex Healthcare Berhad



**Mr. Tan Yan Meng,
Warren**
Deputy Managing
Director,
Xepa-Soul Pattinson
(Malaysia) Sdn Bhd



Mr. Tong Yew Sum
Executive Director,
Apex Pharmacy Sdn Bhd



Mr. Goh Ser Heng
Executive Director,
Xepa-Soul Pattinson
(Malaysia) Sdn Bhd



Mr. Tan Hing Tai
General Manager/
Director,
Apex Pharmacy
Marketing Sdn Bhd



**Ms. Felicia
Kwong Lien Wah**
Group Accountant,
Apex Healthcare Berhad

The Board of Directors is committed to ensure that the principles of good Corporate Governance are practised within the Group as an integral part of the discharge of its responsibilities to develop shareholders' value and financial performance. Below is the statement of how the Group has applied the principles of the Code. 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 THE PRINCIPLES

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

1. The Board

The Board leads and controls the Company as it is the highest decision making body in the Company and is answerable directly to the shareholders. The Board has set clear Corporate Objectives for senior management and has formalised a Schedule of Matters exclusively reserved for the Board's decision.

2. Board Balance

The Board now consists of nine Directors of which one-third are independent non-executive Directors. Three are executive Directors and the remainder are non-executive directors, ensuring that the interests of shareholders are fairly represented.

3. Supply of Information

The Board is satisfied that management provides it with adequate and timely information to enable the Board to discharge its duties. All Directors are supplied with Board Papers on a timely basis prior to a Board meeting in order that they may request further clarifications where necessary, and to ensure that they are properly briefed in advance. The Board also has access to minutes of management meetings, minutes of the meetings of all Board Committees, monthly performance report of the Group's subsidiary companies as well as reports on major operational and financial issues.

4. Appointments to the Board

In line with the recommendations of the Code on Corporate Governance and to ensure that the process of appointing new Directors is formal and transparent, the Board has established a Nomination Committee. Details of this Board sub-committee will be found on page 26.

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, which requires one-third of directors, including the Managing Director, to stand for re-election every year so that every director shall retire from office at least once every three (3) years. Article 89 was amended to its present form at an Extraordinary General Meeting of the Company held on 16th August 2001.

6. The Level and Make-Up of Remuneration

The Board has followed the recommendation of the Code on Corporate Governance and has established a Remuneration Committee, details of which are set out on page 24. The Remuneration Committee is a key part of the procedure for ensuring that the company attracts and retains the directors needed to run the company successfully.

7. Procedure

The company has established a procedure for determining the remuneration of directors, which is incorporated in the Terms of Reference of the Remuneration Committee as laid out on page 24.

8. Disclosure

The remuneration of each director is set out in the Remuneration Committee Report in earning bands on page 25. The details of the remuneration of individual directors are not disclosed as it is deemed to be private and confidential.

9. Dialogue between companies and investors

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

10. Annual General Meeting

The Board values communication with shareholders who are encouraged to raise questions and provide feedback at Annual General Meetings. Executive Directors and the Chairman of the Audit, Nomination and Remuneration Committees are present to respond to shareholders' questions during the Meetings.

11. Financial Reporting

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

12. Internal Control

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

13. Relationship with the Auditors

The Group's external auditors are PricewaterhouseCoopers. The Group has established a formal arrangement to maintain an appropriate relationship with the Auditors, which is

subject to the review of the Audit Committee. The Terms of Reference of the Audit Committee are found on page 20. The annual reappointment of Auditors is via an ordinary resolution at the Annual General Meeting by shareholders.

STATEMENT ON THE EXTENT OF COMPLIANCE WITH BEST PRACTICES

The Board is of the opinion that the Group has addressed and is in compliance with the Best Practices recommended in Part 2 of the Code on Corporate Governance except for the following:

1. The Group has a policy of welcoming contacts with investors and shareholders since its listing on the Kuala Lumpur Stock Exchange in June 2000. There is no formal program or schedule of meetings with investors and shareholders aside from contacts at General Meetings. Meetings with groups of professionals from the investment industry are at their request although management has the option of calling for such meetings if it is deemed to be in the Group's interest. So far it is the opinion of management that this arrangement has been satisfactory to all parties. [Parts 2AA1 and CC 1]
2. The Nomination Committee was formed on 23rd May 2001. It was not active during the previous financial year but will commence its work in 2002. The Committee met for the first time on 20th February 2002. [Part 2AA VII and IX]
3. While the Board has instituted processes for assessing the effectiveness of the Board, the procedures are being continually reviewed and will be improved with time. [Part 2AA X]
4. The Company does not at present have a formal program for the orientation of newly appointed directors. Orientation is currently conducted on an informal basis by the Executive Directors. The Board considers that the activities of the Group are not so complex as to warrant a formal program. [Part 2 AA XIII]
5. Considering the size and composition of the Board, it is unavoidable that there should be some overlap between the membership of the various Board sub-committees. The Board is of the opinion that the independence of the sub-committees' decision-making processes is not compromised thereby.
6. Prior to July 2001, the Group did not have an Internal Audit Department. In adopting the recommended best practice, the Board determined that the most effective option was to outsource the service to a reputable and experienced provider, which is not related to the external auditors. Accordingly, Deloitte and Touche Management Solutions Sdn Bhd was appointed to provide internal audit services to the Group commencing July 2001. [Part 2 BB II (vi) and VII]

ADDITIONAL INFORMATION

1. Non- Audit Fees

The amount of non-audit fees paid and payable to the external auditors, PricewaterhouseCoopers, by the Group for the financial year ended 31st December 2001 was RM58,655.

2. Material Contracts

Saved as disclosed in the accompany Circular on the Proposed Renewal of the Shareholders' 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 Extraordinary General Meeting held on 16th August 2001, 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 the financial year ended 31st December 2001 is as detailed below-

With:	
Grafton Pharmasia Pte Ltd <i>Pursuant to the Distributorship Agreements</i>	RM
Sale of pharmaceuticals and consumer healthcare products for marketing and distribution in Singapore	4,104,285
Purchase of consumer healthcare products for marketing and distribution in Malaysia	2,672,136
Grafton Laboratories Pte Ltd <i>Pursuant to the Licence Agreement</i>	RM
Royalties for the licence to manufacture, market and distribute medicated powder products under the brand name 'Agesia'.	79,572

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:

- Adopted 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 a 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, 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.

The Audit Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31st December 2001.

COMPOSITION OF AUDIT COMMITTEE AND ATTENDANCE RECORD

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

Director	Position	Attendance of Audit Committee Meeting in 2001				No. of meetings attended
		Feb	May	Aug	Nov	
Leong Khai Cheong	Independent Non-Executive Director & Chairman of Audit Committee	•	•	•	•	4
Ki Tak Sang @ Kee Tak Sang	Executive Director	•	•	•	•	4
Md Ali bin Md Dewal	Independent Non-Executive Director	•	•	•		3
Dr. Ahmad Kamal bin Md Alif *	Independent Non-Executive Director				•	1

* Appointed on 23rd May 2001

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 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.
- 2.3 No alternate director shall be appointed as a member of the AC.

- 2.4 The Board of directors shall review the composition, term of office and performance of the AC and its members at least once every 3 years to determine whether the AC and its members have carried out their duties in accordance with its terms of reference.
- 2.5 The members of the AC shall elect a Chairman from among their number who shall be an independent non-executive director.
- 2.6 If a member of the AC resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.
- 2.7 The Company Secretary shall be the Secretary of the AC.

3. Rights of the Audit Committee

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

4. Duties and Functions of the Audit Committee

- 4.1 The AC shall review the following and report the same to the Board of Directors:-
 - 4.1.1 with the external auditors, the nature and scope of the audit before commencement;
 - 4.1.2 with the external auditors, their evaluation of the system of internal controls;
 - 4.1.3 with the external auditor, the audit reports, management letters and management response;

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

5. Attendance at Meetings

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

6. Procedure of Audit Committee

- 6.1 The AC shall regulate its own procedure, in particular:
 - the calling of meetings;
 - the notice to be given of such meetings;
 - the voting and proceedings of such meetings;
 - the keeping of minutes; and
 - the custody, production and inspection of such minutes.
- 6.2 The AC shall meet at least 4 times a year. The external auditors may request a meeting if they consider that one is necessary.

- 6.3 The Secretary shall circulate the minutes of meetings of the AC to all members of the Board of Directors.
- 6.4 The AC shall prepare a yearly 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 31st December 2001, the Audit Committee in the discharge of its duties and functions carried out the following activities:

- Invited and reviewed proposals for the provision of outsourced internal audit services to the Company and Group, resulting in the recommendation and appointment of Deloitte and Touche Management Solutions Sdn Bhd as Internal Auditors for a two year period commencing from July 2001;
- Invited and reviewed proposals for the provision of external audit and tax agent services to the Company and Group, resulting in the recommendation for the re-appointment of PricewaterhouseCoopers as External Auditors for financial year 2002;
- Reviewed new Malaysian Accounting Standards Board ("MASB") standards and their implementation and integration into group accounting policies and procedures with management. MASB 1-16 came into effect during the financial year;
- Review of the audit plans for the year for the Company and Group as prepared by the Internal and External Auditors;
- Review of the audit reports for the Company and Group, including the Risk Assessment Report, as prepared by the internal and external auditors, consideration of the major findings by the auditors and management responses thereto;
- Review of the quarterly reports and announcements of the Company and the Group prior to submission to the Board of Directors for approval and subsequent release to the Kuala Lumpur Stock Exchange;
- Review of a specially commissioned report of the Internal Auditors on recurrent related party transactions of a trading or revenue nature;
- Meeting with the External and Internal Auditors without the presence of executives of the Company and Group to assess assistance rendered by management to the Auditors

INTERNAL AUDIT FUNCTION

During the financial year, the Audit Committee invited and reviewed proposals for the provision of outsourced internal audit services to the Company and Group. After a period of evaluation and interviews, Deloitte & Touche Management Solutions Sdn Bhd were appointed as Internal Auditors for a two year period commencing July 2001.

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

The activities of the Internal Auditors during the financial year ended 31st December 2001 are as follows:

- Reviewed and reported to the Audit Committee and Board on Recurrent Related Party Transactions of a Revenue or Trading Nature in July 2001;
- High-level Principal Risk Identification with the Senior Management and Risk Assessment with the Line Management leading to the development of a risk-based Internal Audit approach and plan for the Company and Group in August 2001;
- Performed internal audit reviews and reported to the Audit Committee on the adequacy and effectiveness of existing system of controls and the level of compliance with policies and procedures.

The Remuneration Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31st December 2001.

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 and met on 16th August 2001 at which all members were present.

Director	Position
Jackson Chevalier Yap-Kit-Siong	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

* Appointed on 23rd May 2001

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 the Kuala Lumpur Stock Exchange and the Code of Corporate Governance, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.

4. Duties and Functions of the Committee

The Remuneration Committee is authorized by the Board to:

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

ACTIVITIES OF THE REMUNERATION COMMITTEE

During the financial year ended 31st December 2001, the Remuneration Committee in the discharge of its duties and functions met to review and determine the quantum of share options to be offered to the Executive Directors under the Employee Share Option Scheme of the Company.

The Remuneration Committee met again on 20th February 2002 after the close of financial year ended 31st December 2001 to review the remuneration, performance bonus and benefits-in-kind of the Executive Directors.

DIRECTORS' REMUNERATION

The annual remuneration of the Directors as presented in bands of RM 50,000 is tabulated as follows:

Remuneration Band	Non-Executive Directors	Executive Directors
Below RM50,000	7	-
RM50,000 - RM100,000	-	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	-	1
RM350,001 - RM400,000	-	-
RM400,001 - RM450,000	-	-
RM450,001 - RM500,000	-	1
RM500,001 - RM550,000	-	-
RM550,001 - RM600,000	-	1

The Nomination Committee of Apex Healthcare Berhad is pleased to present the following report for the financial year ended 31st December 2001.

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 met on 20th February 2002 after the close of financial year ended 31st December 2001. All members were present.

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

* Appointed on 23rd May 2001

TERMS OF REFERENCE OF NOMINATION COMMITTEE

1 Constitution

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

2 Membership

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

3 Principle

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

4 Duties and Functions of the Committee

The NC shall:

- 4.1 Assess and recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board.
- 4.2 Consider in making its recommendations, candidates for directorship proposed by the Managing Director and, within the bounds of practicality, by any other senior executive, director or shareholder.

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

ACTIVITIES OF THE NOMINATION COMMITTEE

The Committee met for the first time after the close of the financial year on 20th February 2002 to assess the size, composition and effectiveness of Board and sub-committees, performance of the Company Secretaries, attendance and contributions of individual directors. The Committee further determined the directors standing for re-election.

ATTENDANCE RECORD AT BOARD MEETINGS

Director	Position	Attendance of Board Meetings in 2001				No. of meetings attended
		Feb	May	Aug	Nov	
Kee Tah Peng @ Hee Teck Peng	Executive Chairman	•	•	•	•	4
Dr. Kee Kirk Chin	Managing Director	•	•	•	•	4
Ki Tak Sang @ Kee Tak Sang	Executive Director	•	•	•	•	4
Robert Dobson Millner	Non-Executive Director	•	•	•	•	4
Jackson Chevalier Yap-Kit-Siong	Non-Executive Director	•	•	•	•	4
Md Ramli bin Samian	Non-Executive Director	•	•		•	3
Leong Khai Cheong	Non-Executive Independent Director	•	•	•	•	4
Md Ali bin Md Dewal	Non-Executive Independent Director	•	•	•		3
Dr Ahmad Kamal bin Md Alif #	Non-Executive Independent Director			•	•	2
Peter Raymond Robinson *	Alternate Director	•		•		2

Appointed on 23rd May 2001

* Resigned and reappointed as alternate director to Mr. Robert Millner on 2nd April 2001

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2001.

PRINCIPAL ACTIVITIES

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

There was no significant change in these activities during the financial year except for the transfer of operations of Apex Pharmacy (E.M.) Sdn Bhd in the retailing, marketing and distribution of pharmaceutical products in East Malaysia to Apex Pharmacy Sdn Bhd and Apex Pharmacy Marketing Sdn Bhd.

FINANCIAL RESULTS

	Group RM	Company RM
Profit after taxation and net profit for the financial year	8,267,386	5,535,440

DIVIDENDS

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

	RM
In respect of the financial year ended 31 December 2000, as shown in the Directors' report of that year:	
First and final tax-exempt dividend of 6 sen per share, paid on 28 June 2001	2,604,000
In respect of the financial year ended 31 December 2001:	
Interim tax-exempt dividend of 3 sen per share, paid on 8 October 2001	1,302,000

In respect of the financial year ended 31 December 2001, the directors recommend the payment of a final tax-exempt dividend of 4 sen per share, amounting to RM1,736,000.

RESERVES AND PROVISIONS

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

EMPLOYEE SHARE OPTION SCHEME

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

The main features of the ESOS are as follows:

- The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary shares of the Company

EMPLOYEE SHARE OPTION SCHEME (CONTINUED)

- An employee (including executive directors) of the Group shall be eligible to participate in the Scheme if, as at the offer date, the employee :-
 - (i) has attained the age of eighteen (18) years;
 - (ii) is employed full-time by and is on the payroll with at least one year of service of a company within the Group (other than a company which is dormant); and
 - (iii) is an Executive Director of the Company whose allocation of Options has been approved by the Shareholders of the Company in a general meeting.
- The option price under the ESOS is the weighted average market price of the shares of the Company as quoted in the official list issued by the Kuala Lumpur Stock Exchange for the five market days preceding the offer date with an allowance for a discount of not more than 10% therefrom at the Option Committee's discretion, or the par value of the shares of the Company of RM1, whichever is the higher
- The options granted may be exercised at any time before the expiry of the ESOS on 8 October 2006
- The basis on which the options may be exercised by virtue of Bye-Law 10.2 of the ESOS is as follows:

Number of options granted and unexercised as at 31 December 2001	Percentage of options exercisable				
	2002	2003	2004	2005	2006
	%	%	%	%	%
394,000	50	50			
1,055,000	25	25	25	25	
2,330,000	20	20	20	20	20
<hr/>					
3,779,000					
<hr/>					

- The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company

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

At 1 January 2001	-
Granted	3,786,000
Lapsed	(7,000)
Exercised	-
	<hr/>
At 31 December 2001	3,779,000
	<hr/>

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

DIRECTORS

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

Kee Tah Peng @ Hee Teck Peng
Dr. Kee Kirk Chin
Ki Tak Sang @ Kee Tak Sang
Jackson Chevalier Yap-Kit-Siong
Leong Khai Cheong
Robert Dobson Millner
Mohd Ramli bin Samian
Md. Ali bin Md. Dewal
Dr. Ahmad Kamal bin Md. Alif (appointed on 23 May 2001)

DIRECTORS (CONTINUED)

Peter Raymond Robinson (resigned on 2 April 2001 and re-appointed as alternate to Robert Dobson Millner on the same date)

Warren Tan Yan Meng (resigned on 2 April 2001)

Md. Diah bin Mohammad (resigned on 2 April 2001)

Michael John Millner (resigned on 2 April 2001)

Rokiah bte. Rajak (resigned on 2 April 2001)

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

In accordance with Article 89 of the Company's Articles of Association, Dr. Kee Kirk Chin, Md. Ali bin Md. Dewal and Mohd Ramli bin Samian retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 83 of the Company's Articles of Association, Dr. Ahmad Kamal bin Md. Alif retires at the forthcoming Annual General Meeting and, being eligible, offers himself for election.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits disclosed as directors' remuneration in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as discussed in Note 28 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:

	Number of ordinary shares of RM1 each			
	At 1.1.2001/ date of appointment	Bought	Sold	At 31.12.2001
Direct interests				
Kee Tah Peng @ Hee Teck Peng	10,000	-	-	10,000
Dr Kee Kirk Chin	10,000	215,000	-	225,000
Ki Tak Sang @ Kee Tak Sang	10,000	200,000	100,000	110,000
Jackson Chevalier Yap-Kit-Siong	10,000	-	-	10,000
Leong Khai Cheong	10,000	-	-	10,000
Robert Dobson Millner	10,000	-	-	10,000
Mohd Ramli bin Samian	10,000	-	-	10,000
Md. Ali bin Md. Dewal	428,739	-	-	428,739
Dr. Ahmad Kamal bin Md. Alif	140,000	-	-	140,000
Peter Raymond Robinson	10,000	-	-	10,000
Indirect interests				
Kee Tah Peng @ Hee Teck Peng	17,272,604	108,000	-	17,380,604
Dr. Kee Kirk Chin	17,272,604	108,000	-	17,380,604
Robert Dobson Millner	7,271,427	324,000	-	7,595,427
Dr. Ahmad Kamal bin Md. Alif	600,000	-	600,000	-
Peter Raymond Robinson	7,271,427	324,000	-	7,595,427

DIRECTORS' INTERESTS (CONTINUED)

	Number of options over ordinary shares of RM1 each			At 31.12.2001
	At 1.1.2001	Granted	Exercised	
Kee Tah Peng @ Hee Teck Peng	-	230,000	-	230,000
Dr. Kee Kirk Chin	-	230,000	-	230,000
Ki Tak Sang @ Kee Tak Sang	-	150,000	-	150,000

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION

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

In the opinion of the directors,

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

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 20 February 2002

KEE TAH PENG @ HEE TECK PENG
DIRECTOR

DR. KEE KIRK CHIN
DIRECTOR

Melaka

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, two of the directors of Apex Healthcare Bhd., state that in the opinion of the directors, the financial statements set out on pages 35 to 56 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2001 and of the results and cash flows of the Group and of the Company for the financial year ended 31 December 2001 in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 20 February 2002

KEE TAH PENG @ HEE TECK PENG
DIRECTOR

DR. KEE KIRK CHIN
DIRECTOR

Melaka

statutory declaration

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

I, Ki Tak Sang @ Kee Tak Sang, the director primarily responsible for the financial management of Apex Healthcare Bhd., do solemnly and sincerely declare that the financial statements set out on pages 35 to 56 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

KI TAK SANG @ KEE TAK SANG

Subscribed and solemnly declared by the abovenamed Ki Tak Sang @ Kee Tak Sang at Melaka in Malaysia on 20 February 2002, before me.

COMMISSIONER FOR OATHS

report of the auditors

to the members of Apex Healthcare Bhd. (Company No. 473108 - T)

We have audited the financial statements set out on pages 35 to 56. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2001 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

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

The name of the subsidiary of which we have not acted as auditors is indicated in Note 11 to the financial statements. We have considered the financial statements of this subsidiary and the auditors' report thereon.

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

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

PRICEWATERHOUSECOOPERS

(No. AF-1146)

Chartered Accountants

MOHD. DARUIS BIN ZAINUDDIN

(No. 969/03/03(J/PH))

Partner of the firm

Melaka

20 February 2002

income statements

for the financial year ended 31 December 2001

	Note	Group		Company	
		2001 RM	2000 RM	2001 RM	2000 RM
Revenue	4	136,611,406	122,097,404	7,011,107	4,076,089
Cost of sales		(100,169,700)	(88,728,358)	(735,744)	(611,239)
Gross profit		36,441,706	33,369,046	6,275,363	3,464,850
Other operating income		973,374	534,760	423,397	197,411
Selling and distribution costs		(18,621,144)	(16,203,115)	(12,619)	(2,000)
Administrative expenses		(7,161,055)	(6,826,554)	(242,423)	(179,721)
Other operating expenses		(369,549)	(231,989)	(26,278)	(26,489)
Profit from operations	5	11,263,332	10,642,148	6,417,440	3,454,051
Finance cost	6	(174,189)	(319,904)	-	-
Profit before taxation		11,089,143	10,322,244	6,417,440	3,454,051
Taxation	7	(2,821,757)	(2,218,445)	(882,000)	(222,000)
Profit after taxation and net profit for the financial year		8,267,386	8,103,799	5,535,440	3,232,051
Earnings per share (sen)					
- basic	8	19.0	20.7		
- diluted	8	19.0	20.7		
Dividends per share (sen)	9	7.0	6.0		

APEX HEALTHCARE BERHAD (473108-1)

ANNUAL REPORT 2001

The notes on pages 40 to 56 form part of these financial statements.

balance sheets

as at 31 December 2001

	Note	Group		Company	
		2001 RM	2000 RM	2001 RM	2000 RM
Non current assets					
Property, plant and equipment	10	31,987,981	27,878,304	30,680	18,665
Subsidiaries	11	-	-	40,404,874	40,404,874
		<u>31,987,981</u>	<u>27,878,304</u>	<u>40,435,554</u>	<u>40,423,539</u>
Current assets					
Inventories	12	26,978,360	22,274,816	-	-
Trade and other receivables	13	28,667,715	24,896,787	14,606,466	8,701,186
Deposits with licensed banks		3,902,813	11,702,813	1,250,000	5,600,000
Cash and bank balances		2,709,837	3,423,638	218,153	167,854
		<u>62,258,725</u>	<u>62,298,054</u>	<u>16,074,619</u>	<u>14,469,040</u>
Less: Current liabilities					
Trade and other payables	14	18,784,906	17,530,288	174,084	237,210
Hire purchase liabilities	15	3,037	77,111	-	-
Provision for retirement benefits	16	501,424	456,876	-	-
Proposed directors' fees		37,000	33,000	37,000	33,000
Taxation		1,155,998	915,809	47,280	-
Proposed dividend		1,736,000	2,604,000	1,736,000	2,604,000
Short term borrowings	17	2,005,820	4,419,231	-	-
		<u>24,224,185</u>	<u>26,036,315</u>	<u>1,994,364</u>	<u>2,874,210</u>
Net current assets		<u>38,034,540</u>	<u>36,261,739</u>	<u>14,080,255</u>	<u>11,594,830</u>
Less: Non current liabilities					
Provision for retirement benefits	16	763,743	467,016	-	-
Deferred taxation	18	395,000	-	-	-
		<u>1,158,743</u>	<u>467,016</u>	<u>-</u>	<u>-</u>
		<u>68,863,778</u>	<u>63,673,027</u>	<u>54,515,809</u>	<u>52,018,369</u>
Capital and reserves					
Share capital		43,400,000	43,400,000	43,400,000	43,400,000
Share premium		3,439,360	3,439,360	7,990,318	7,990,318
Revaluation and other reserves		5,602,215	5,640,850	-	-
Retained profits	20	16,422,203	11,192,817	3,125,491	628,051
		<u>68,863,778</u>	<u>63,673,027</u>	<u>54,515,809</u>	<u>52,018,369</u>
Shareholders' equity					

The notes on pages 40 to 56 form part of these financial statements.

consolidated statement of changes in equity

for the financial year ended 31 December 2001

Note	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable		Total RM
	Number of shares	Nominal value RM	Revaluation reserve RM	Foreign currency translation reserve RM	Share premium RM	Retained profits RM	
2001							
At 1 January 2001	43,400,000	43,400,000	5,627,818	13,032	3,439,360	11,192,817	63,673,027
Currency translation differences	-	-	-	(38,635)	-	-	(38,635)
Net loss not recognised in income statement	-	-	-	(38,635)	-	-	(38,635)
Net profit for the financial year	-	-	-	-	-	8,267,386	8,267,386
Dividends	9	-	-	-	-	(3,038,000)	(3,038,000)
At 31 December 2001	43,400,000	43,400,000	5,627,818	(25,603)	3,439,360	16,422,203	68,863,778
2000							
At 1 January 2000	33,890,000	33,890,000	-	-	-	5,693,018	39,583,018
Surplus on revaluation of land and buildings	-	-	5,627,818	-	-	-	5,627,818
Share issue expenses	-	-	-	-	(1,315,640)	-	(1,315,640)
Currency translation differences	-	-	-	13,032	-	-	13,032
Net gain/(loss) not recognised in income statement	-	-	5,627,818	13,032	(1,315,640)	-	4,325,210
Issue of shares - Public Issue	9,510,000	9,510,000	-	-	4,755,000	-	14,265,000
Net profit for the financial year	-	-	-	-	-	8,103,799	8,103,799
Dividends	9	-	-	-	-	(2,604,000)	(2,604,000)
At 31 December 2000	43,400,000	43,400,000	5,627,818	13,032	3,439,360	11,192,817	63,673,027

The notes on pages 40 to 56 form part of these financial statements.

company statement of changes in equity

for the financial year ended 31 December 2001

	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable	Distributable	Total RM
		Number of shares	Nominal value RM	Share premium RM	Retained profits RM	
2001						
At 1 January 2001		43,400,000	43,400,000	7,990,318	628,051	52,018,369
Net profit for the financial year		-	-	-	5,535,440	5,535,440
Dividends	9	-	-	-	(3,038,000)	(3,038,000)
At 31 December 2001		43,400,000	43,400,000	7,990,318	3,125,491	54,515,809
2000						
At 1 January 2000		2	2	-	-	2
Share issue expenses		-	-	(1,315,640)	-	(1,315,640)
Net loss not recognised in income statement		-	-	(1,315,640)	-	(1,315,640)
Issue of shares						
- acquisition of subsidiaries		33,889,998	33,889,998	4,550,958	-	38,440,956
- Public Issue		9,510,000	9,510,000	4,755,000	-	14,265,000
Net profit for the financial year		-	-	-	3,232,051	3,232,051
Dividends	9	-	-	-	(2,604,000)	(2,604,000)
At 31 December 2000		43,400,000	43,400,000	7,990,318	628,051	52,018,369

The notes on pages 40 to 56 form part of these financial statements.

cash flow statements

for the financial year ended 31 December 2001

		Group		Company	
	Note	2001 RM	2000 RM	2001 RM	2000 RM
Cash flows from operating activities					
Net profit		8,267,386	8,103,799	5,535,440	3,232,051
Adjustments	21	5,650,559	5,328,460	(5,978,903)	(3,465,929)
Operating profit/(loss) before working capital changes		13,917,945	13,432,259	(443,463)	(233,878)
Increase in inventories		(4,703,544)	(2,858,114)	-	-
(Increase)/decrease in receivables		(3,734,595)	1,041,591	(4,658,000)	(6,633,186)
Increase/(decrease) in payables		1,256,412	(4,135,457)	(59,126)	(218,941)
Cash generated from/ (used in) operations		6,736,218	7,480,279	(5,160,589)	(7,086,005)
Retirement benefits paid		(24,305)	(17,558)	-	-
Interest paid		(145,262)	(288,619)	-	-
Tax paid		(2,249,859)	(1,359,642)	-	-
Interest received		201,730	202,875	423,397	197,411
Dividends received		-	-	4,368,000	1,260,000
Net cash generated from/ (used in) operating activities		4,518,522	6,017,335	(369,192)	(5,628,594)
Net cash flow used in investing activities	22	(6,601,980)	(7,161,826)	(24,509)	(1,990,966)
Net cash flow (used in)/generated from financing activities	23	(5,201,745)	11,837,336	(3,906,000)	13,387,412
Net (decrease)/increase in cash and cash equivalents		(7,285,203)	10,692,845	(4,299,701)	5,767,852
Cash and cash equivalents at the beginning of the financial year		13,267,891	2,577,171	5,767,854	2
Currency translation differences		(36,858)	(2,125)	-	-
Cash and cash equivalents at the end of the financial year	24	5,945,830	13,267,891	1,468,153	5,767,854

The notes on pages 40 to 56 form part of these financial statements.

1. GENERAL INFORMATION

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the Group consist of the manufacturing, distribution and retailing of pharmaceutical products. During the financial year, there was a transfer of operations of Apex Pharmacy (E.M.) Sdn Bhd in the retailing, marketing and distribution of pharmaceutical products in East Malaysia to Apex Pharmacy Sdn Bhd and Apex Pharmacy Marketing Sdn Bhd.

The number of employees at the end of the financial year was 469 (2000: 461) for the Group and 3 (2000: 3) for the Company.

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

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

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention (as modified for the revaluation of land and buildings), unless otherwise indicated in the individual policy statements in Note 3 to the financial statements.

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

- MASB Standard 14 "Depreciation Accounting"
- MASB Standard 15 "Property, Plant and Equipment"

There are no changes in accounting policy that affect net profit for the financial year as a result of the adoption of the above standards in these financial statements as the Group and the Company were already following the recognition and measurement principles in those standards.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of consolidation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of consolidation (Continued)**

A subsidiary acquired under a business combination which meets the conditions of a merger is consolidated using the merger method of accounting in accordance with Malaysian Accounting Standard No.2 "Accounting for Acquisitions and Mergers". Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment over the nominal value of the shares acquired is taken to merger reserve and this reserve is set off against retained profits.

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

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

(b) Property, plant and equipment

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

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

Freehold land is not amortised as it has an infinite life. Long leasehold land is amortised in equal instalments over the periods of the respective leases that range from 57 to 99 years. Depreciation of the other property, plant and equipment is calculated to write off the cost, or the revalued amounts, in equal instalments over their estimated useful lives. The principal annual depreciation rates used for this purpose are as follows:

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

(c) Investments in subsidiaries

Investments in subsidiaries are stated at cost, unless the directors consider there has been a permanent diminution in value in which case allowance is made for the diminution.

(d) Inventories

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Receivables**

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

(f) Hire purchase

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

(g) Deferred taxation

Deferred taxation is recorded using the liability method on all material timing differences between taxable and accounting profits. Debit balances on the deferred taxation account are not recognised unless their recovery is beyond reasonable doubt.

(h) Retirement benefits

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

One of the subsidiaries operates a defined benefit retirement plan for its employees employed before 1 January 2001. The retirement plan is funded by the subsidiary taking into account the recommendations of an independent qualified actuary. The retirement plan accounting cost is assessed using the projected benefit valuation method. Under this method, the cost of providing retirement benefits is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of an independent actuary who carries out a full valuation of the plan every three years. The retirement benefits obligation is measured at the present value of the estimated future cash flows using a discount rate of 6% per annum. All actuarial gains and losses are amortised over the average remaining working lives of the employees.

(i) Foreign entity

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

Foreign currency transactions and balances

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Foreign currency transactions and balances (Continued)**

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

Foreign currency	2001 RM	2000 RM
1 USD	3.80	3.795
1 SGD	2.05	2.189

(j) Research and development costs

Research and development costs are expensed off to the income statement when incurred.

(k) Revenue recognition

Sales are recognised upon delivery of goods and services.

Interest income is recognised on the accrual basis.

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

(l) Operating leases

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

(m) Dividends to shareholders

Dividends on ordinary shares are recognised as liabilities upon recommendation by the Board of Directors.

(n) Cash and cash equivalents

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

4. REVENUE

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Sale of pharmaceutical products	136,611,406	122,097,404	-	-
Dividends from unquoted subsidiaries	-	-	6,450,000	3,550,000
Management services fees	-	-	561,107	526,089
	136,611,406	122,097,404	7,011,107	4,076,089

5. PROFIT FROM OPERATIONS

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

	Group		Company	
	2001	2000	2001	2000
	RM	RM	RM	RM
Directors' fees	37,000	33,000	37,000	33,000
Staff costs				
- directors' remuneration other than fees	1,463,957	1,694,853	504,339	442,956
- other staff costs	15,180,513	13,202,702	194,405	135,283
Depreciation of property, plant and equipment	2,813,979	2,595,567	10,909	5,801
Auditors' remuneration				
- current year	74,406	76,600	19,000	16,000
- prior year's adjustment	381	1,200	-	-
Foreign exchange loss/(gain)				
- realised	98,502	47,482	-	(58)
- unrealised	29,164	68,866	-	-
Rental expense	2,170,077	1,901,453	-	-
Rental income	(157,048)	(158,250)	-	-
Research and development expenses	319,806	304,204	-	-
Provision for retirement benefits	365,580	431,079	-	-
Profit on disposal of property, plant and equipment	(400,405)	(177,357)	-	-
Property, plant and equipment written off	76,952	44,416	1,585	-
Interest income	(201,730)	(202,875)	(423,397)	(197,411)
Preliminary and pre-operating expenses written off	-	15,550	-	7,531
Deferred expenses written off	-	46,150	-	46,150
Gross dividends from unquoted subsidiaries	-	-	(6,450,000)	(3,550,000)

The cost of inventories of the Group and of the Company recognised as an expense during the financial year amounted to RM99,433,956 (2000: RM88,117,119) and RM Nil (2000: RM Nil) respectively.

The estimated monetary value of non-cash benefits provided to a director of the Company during the financial year amounted to RM5,987 (2000: RM23,950).

6. FINANCE COST

	Group		Company	
	2001	2000	2001	2000
	RM	RM	RM	RM
Interest expense on borrowings	145,262	288,619	-	-
Bank commitment charges	28,927	31,285	-	-
	174,189	319,904	-	-

7. TAXATION

	Group		Company	
	2001	2000	2001	2000
	RM	RM	RM	RM
In respect of the financial year				
- income taxation in Malaysia	(2,425,866)	(2,387,445)	(882,000)	(222,000)
- deferred taxation (Note 18)	(395,000)	169,000	-	-
	(2,820,866)	(2,218,445)	(882,000)	(222,000)
In respect of prior years				
- income taxation in Malaysia	(891)	-	-	-
	(2,821,757)	(2,218,445)	(882,000)	(222,000)

The lower effective tax rate of the Group is mainly due to the availability of tax incentives for a subsidiary. The lower effective tax rate of the Company is mainly due to tax exempt dividends received from certain subsidiaries that enjoy certain tax incentives that generate tax exempt income.

8. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2001	2000
Net profit for the financial year (RM)	8,267,386	8,103,799
Weighted average number of ordinary shares in issue	43,400,000	39,153,068
Basic earnings per share (sen)	19.0	20.7

8. EARNINGS PER SHARE (CONTINUED)**(b) Diluted earnings per share**

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

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

	Group	
	2001	2000
Net profit for the financial year (RM)	8,267,386	8,103,799
Weighted average number of ordinary shares in issue	43,400,000	39,153,068
Adjustment for share options	21,156	-
Weighted average number of ordinary shares for diluted earnings per share	43,421,156	39,153,068
Diluted earnings per share (sen)	19.0	20.7

ANNUAL REPORT 2001

9. DIVIDENDS

	Group and Company			
	2001		2000	
	Gross dividend per share	Amount of dividend, net of tax	Gross dividend per share	Amount of dividend, net of tax
	Sen	RM	Sen	RM
Interim tax-exempt dividend paid	3.0	1,302,000	-	-
Proposed final tax-exempt dividend	4.0	1,736,000	6.0	2,604,000
	7.0	3,038,000	6.0	2,604,000

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings on freehold land RM	Long leasehold land RM	Buildings on leasehold land RM	Freehold shop units RM	Plant, machinery and factory equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Total RM
Group									
Movements:									
Net book value as at 1.1.2001	290,000	156,800	8,311,162	7,856,256	2,273,600	3,926,471	3,590,914	1,473,101	27,878,304
Currency translation differences	-	-	-	-	-	-	(1,777)	-	(1,777)
Additions	-	-	-	1,114,699	-	3,795,635	1,248,805	843,711	7,002,850
Disposals	-	-	-	-	-	-	(77,413)	(4)	(77,417)
Depreciation charge	-	(3,200)	(87,540)	(166,263)	(46,400)	(851,458)	(1,135,100)	(524,018)	(2,813,979)
Net book value as at 31.12.2001	290,000	153,600	8,223,622	8,804,692	2,227,200	6,870,648	3,625,429	1,792,790	31,987,981
At 31.12.2001									
Cost	-	-	1,409,242	2,771,287	-	14,025,927	10,503,431	3,354,929	32,064,816
Valuation	290,000	160,000	6,990,000	6,360,000	2,320,000	-	-	-	16,120,000
Accumulated depreciation	-	(6,400)	(175,620)	(326,595)	(92,800)	(7,155,279)	(6,878,002)	(1,562,139)	(16,196,835)
Net book value	290,000	153,600	8,223,622	8,804,692	2,227,200	6,870,648	3,625,429	1,792,790	31,987,981
At 31.12.2000									
Cost	-	-	1,409,242	1,656,588	-	10,513,804	9,454,898	3,194,425	26,228,957
Valuation	290,000	160,000	6,990,000	6,360,000	2,320,000	-	-	-	16,120,000
Accumulated depreciation	-	(3,200)	(88,080)	(160,332)	(46,400)	(6,587,333)	(5,863,984)	(1,721,324)	(14,470,653)
Net book value	290,000	156,800	8,311,162	7,856,256	2,273,600	3,926,471	3,590,914	1,473,101	27,878,304

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Furniture, fittings and equipment RM	Total RM
Net book value as at 1.1.2001	18,665	18,665
Additions	24,509	24,509
Write off	(1,585)	(1,585)
Depreciation charge	(10,909)	(10,909)
	<hr/>	<hr/>
Net book value as at 31.12.2001	30,680	30,680
	<hr/>	<hr/>
At 31.12.2001		
Cost	46,962	46,962
Accumulated depreciation	(16,282)	(16,282)
	<hr/>	<hr/>
Net book value	30,680	30,680
	<hr/>	<hr/>
At 31.12.2000		
Cost	24,466	24,466
Accumulated depreciation	(5,801)	(5,801)
	<hr/>	<hr/>
Net book value	18,665	18,665
	<hr/>	<hr/>

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

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

	Group	
	2001 RM	2000 RM
Freehold land	280,000	280,000
Buildings on freehold land	146,578	151,253
Long leasehold land	2,462,582	2,492,381
Buildings on leasehold land	5,958,769	6,100,995
Freehold shop units	1,222,924	1,258,341
	<hr/>	<hr/>
	10,070,853	10,282,970
	<hr/>	<hr/>

The net book value of motor vehicle acquired under hire purchase agreements amounted to RM17,252 (2000: RM168,762) for the Group and RM Nil (2000: RM Nil) for the Company.

The net book value of property, plant and equipment charged as security for bank borrowings as at 31 December 2001 amounted to RM Nil (2000: RM19,779,632) for the Group and RM Nil (2000: RM Nil) for the Company.

11. SUBSIDIARIES

The unquoted subsidiaries are as follows:

Name of company	Principal activity	Equity interest	
		2001 %	2000 %
Xepa-Soul Pattinson (Malaysia) Sendirian Berhad	Manufacturing of pharmaceutical products	100	100
Apex Pharmacy Marketing Sdn Bhd	Marketing and distribution of pharmaceutical products	100	100
Apex Pharmacy Sdn Bhd	Retailing of pharmaceutical products	100	100
Apex Pharmacy (E.M.) Sdn Bhd	Dormant	100	100
Subsidiary of Xepa-Soul Pattinson (Malaysia) Sendirian Berhad			
* Xepa-Soul Pattinson (S) Pte Ltd	Marketing and distribution of pharmaceutical products	100	100

* Audited by PricewaterhouseCoopers, Singapore

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

12. INVENTORIES

	Group	
	2001 RM	2000 RM
At cost		
Raw materials	2,267,501	2,241,941
Work in progress	115,744	191,722
Finished goods	3,813,443	2,609,835
Pharmaceutical items held for sale	20,781,672	17,231,318
	<u>26,978,360</u>	<u>22,274,816</u>

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Trade receivables	28,634,769	24,058,359	-	-
Allowance for doubtful debts	(1,514,755)	(1,201,338)	-	-
	27,120,014	22,857,021	-	-
Bills receivable	578,766	550,293	-	-
Amounts due from subsidiaries:				
- interest bearing	-	-	7,000,000	3,150,000
- non-interest bearing	-	-	4,288,242	3,481,549
Dividends receivable from subsidiaries	-	-	3,315,280	2,066,000
Other receivables	228,031	601,552	369	-
Deposits	546,142	655,039	1,300	-
Prepayments	128,249	229,660	1,275	1,637
Tax refundable	66,513	3,222	-	2,000
	28,667,715	24,896,787	14,606,466	8,701,186

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Interest is chargeable by the Company at rates which varied from 4% to 6% (2000: 7.8%) per annum on certain amounts due from the subsidiaries.

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Trade payables	16,211,333	15,051,191	42,754	73,799
Trade accruals	2,573,573	2,479,097	131,330	163,411
	18,784,906	17,530,288	174,084	237,210

15. HIRE PURCHASE LIABILITIES

	Group	
	2001 RM	2000 RM
Analysis of hire purchase commitments:		
Not later than 1 year	3,682	83,293
Later than 1 year and not later than 2 years	-	3,681
	3,682	86,974
Less: Future finance charges	(645)	(9,863)
	3,037	77,111
Representing:		
Current	3,037	77,111

16. PROVISION FOR RETIREMENT BENEFITS

	Group	
	2001	2000
	RM	RM
At 1 January	923,892	510,371
Charged to income statement	365,580	431,079
Utilised during the financial year	(24,305)	(17,558)
At 31 December	1,265,167	923,892
Representing:		
Current	501,424	456,876
Non-current	763,743	467,016
	1,265,167	923,892

A subsidiary operates a defined benefit retirement plan for eligible employees employed before 1 January 2001. The pension plan is valued by an independent qualified actuary every three years using the projected benefit valuation method. The latest actuarial valuation was carried out as at 31 December 1999 and this valuation showed that there was a shortfall of RM1,223,502 which would be eliminated by 2004 through annual amounts charged to the income statement of RM244,700.

17. SHORT TERM BORROWINGS

	Group	
	2001	2000
	RM	RM
Secured		
Trade financing facilities	-	1,271,018
Term loans - payable within twelve months	-	34,400
Unsecured		
Trade financing facilities	1,339,000	1,255,253
Bank overdrafts	666,820	1,858,560
	2,005,820	4,419,231

The bank borrowings are secured by way of corporate guarantees given by the Company.

Interest rates on the short term borrowings varied from 3.2% to 8.8% (2000: 3.1% to 8.8%) per annum during the financial year.

18. DEFERRED TAXATION

	Group	
	2001	2000
	RM	RM
Balance as at 1 January	-	169,000
Charged/(credited) to income statement (Note 7)	395,000	(169,000)
Balance as at 31 December	395,000	-

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

19. SHARE CAPITAL

	Group and Company	
	2001	2000
	RM	RM
Authorised		
At 1 January	100,000,000	100,000
Increased during the financial year	-	99,900,000
At 31 December	100,000,000	100,000,000

Employee Share Option Scheme

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

The main features of the ESOS are as follows:

- The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary shares of the Company
- An employee (including executive directors) of the Group shall be eligible to participate in the Scheme if, as at the offer date, the employee :-
 - (i) has attained the age of eighteen (18) years;
 - (iii) is employed full-time by and is on the payroll with at least one year of service of a company within the Group (other than a company which is dormant); and
 - (iii) is an Executive Director of the Company whose allocation of Options has been approved by the Shareholders of the Company in a general meeting.
- The option price under the ESOS is the weighted average market price of the shares of the Company as quoted in the official list issued by the Kuala Lumpur Stock Exchange for the five market days preceding the offer date with an allowance for a discount of not more than 10% therefrom at the Option Committee's discretion, or the par value of the shares of the Company of RM1, whichever is the higher
- The options granted may be exercised at any time before the expiry of the ESOS on 8 October 2006

19. SHARE CAPITAL (CONTINUED)**Employee Share Option Scheme (Continued)**

- The basis on which the options may be exercised by virtue of Bye-Law 10.2 of the ESOS is as follows:

Number of options granted and unexercised as at 31 December 2001	Percentage of options exercisable				
	2002	2003	2004	2005	2006
	%	%	%	%	%
394,000	50	50			
1,055,000	25	25	25	25	
2,330,000	20	20	20	20	20
<u>3,779,000</u>					

- The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company

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

At 1 January 2001	-
Granted	3,786,000
Lapsed	(7,000)
Exercised	-
	<u>3,779,000</u>
At 31 December 2001	

20. RETAINED PROFITS

As at 31 December 2001, subject to agreement with the tax authorities, the Company has sufficient Malaysian (Section 108) tax credits and tax exempt income available to frank all of its retained profits if paid out as dividends.

21. ADJUSTMENTS

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Depreciation of property, plant and equipment	2,813,979	2,595,567	10,909	5,801
Property, plant and equipment written off	76,952	44,416	1,585	-
Interest expense	145,262	288,619	-	-
Preliminary and pre-operating expenses written off	-	15,550	-	7,531
Deferred expenses written off	-	46,150	-	46,150
Interest income	(201,730)	(202,875)	(423,397)	(197,411)
Dividend income	-	-	(6,450,000)	(3,550,000)
Profit on disposal of property, plant and equipment	(400,405)	(177,357)	-	-
Unrealised foreign exchange loss	29,164	68,866	-	-
Provision for retirement benefits	365,580	431,079	-	-
Taxation	2,821,757	2,218,445	882,000	222,000
	<u>5,650,559</u>	<u>5,328,460</u>	<u>(5,978,903)</u>	<u>(3,465,929)</u>

22. NET CASH FLOW USED IN INVESTING ACTIVITIES

	Group		Company	
	2001	2000	2001	2000
	RM	RM	RM	RM
Purchase of property, plant and equipment	(7,002,850)	(7,346,576)	(24,509)	(24,466)
Proceeds from disposal of property, plant and equipment	400,870	187,332	-	-
Acquisition of subsidiaries paid by cash	-	-	-	(1,963,918)
Preliminary and pre-operating expenses paid	-	(2,582)	-	(2,582)
	(6,601,980)	(7,161,826)	(24,509)	(1,990,966)

23. NET CASH FLOW (USED IN)/GENERATED FROM FINANCING ACTIVITIES

	Group		Company	
	2001	2000	2001	2000
	RM	RM	RM	RM
Proceeds from issue of shares	-	14,265,000	-	14,265,000
Pre-merger dividends paid	-	(1,410,000)	-	-
Dividends paid	(3,906,000)	-	(3,906,000)	-
Trade financing facilities (repaid)/raised	(1,187,271)	881,520	-	-
Repayment of term loans	(34,400)	(880,865)	-	-
Repayment of hire purchase liabilities	(74,074)	(140,731)	-	-
Share issue expenses paid	-	(877,588)	-	(877,588)
	(5,201,745)	11,837,336	(3,906,000)	13,387,412

24. CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR

	Group		Company	
	2001	2000	2001	2000
	RM	RM	RM	RM
Deposits with licensed banks	3,902,813	11,702,813	1,250,000	5,600,000
Cash and bank balances	2,709,837	3,423,638	218,153	167,854
Bank overdrafts	(666,820)	(1,858,560)	-	-
	5,945,830	13,267,891	1,468,153	5,767,854

25. 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	
	2001	2000	2001	2000
	RM	RM	RM	RM
Contracted for	51,000	3,060,646	-	-
Not contracted for	5,803,670	6,389,800	3,008,000	-

(b) Operating lease commitments

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

	Group	
	2001	2000
	RM	RM
Not later than 1 year	1,139,494	1,147,235
Later than 1 year and no later than 5 years	553,977	1,096,476
	1,693,471	2,243,711

26. CONTINGENT LIABILITIES (UNSECURED)

	Company	
	2001	2000
	RM	RM
Corporate guarantees in respect of credit facilities utilised by subsidiaries	4,154,422	4,784,198

27. SEGMENT REPORTING

No segmental information is presented as the Group is primarily engaged in the pharmaceutical industry in Malaysia.

28. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Group	
	2001	2000
	RM	RM
With Grafton Pharmasia Pte Ltd:		
- sale of goods	4,104,285	4,382,748
- purchase of goods	2,672,136	1,682,771
With Grafton Laboratories Pte Ltd:		
- royalties payable	79,572	-

Grafton Pharmasia Pte Ltd and Grafton Laboratories Pte Ltd are both subsidiaries of United Medicorp Pte Ltd, which holds 30% equity interest in Apex Pharmacy Holdings Sdn Bhd, a substantial shareholder of Apex Healthcare Berhad. The transactions with these companies are conducted in accordance with the general mandate obtained from shareholders for recurrent related party transactions.

list of properties

At 31 December 2001

Registered Owner & Address	Land area sq.metres	Built-up area sq.metres	Existing use/ Description	Tenure/ (Expiry date) Age of building	NBV as at 31/12/01	Date of last revaln/ acquisition
APEX PHARMACY 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 / - 17 years old	883,200	Revalued - Jan 2000
2 Unit Nos. B5 & B6 Level 1, Block B, Pusat Bandar Damansara, Jalan Damanlela, Kuala Lumpur	-	250	Pharmacy outlet / 2 units of intermediate shoplots	Freehold / - 17 years old	1,344,000	Revalued - Jan 2000
3 Lot No. 99, Town Area XXXVIII (38), District of Melaka Tengah, Melaka	156	272	Leased / 2- storey shophouse	Leasehold / (exp. 2075) 27 years old	183,600	Revalued - Jan 2000
4 Lot No. 564, 569 & 571 Town Area XIX (19) District of Melaka Tengah, Melaka	130	330	Pharmacy outlet / 3- storey shophouse	Freehold / - 37 years old	443,600	Revalued - Jan 2000
5 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) 11 years old	725,910	Revalued - Jan 2000
6 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) 10 years old	1,370,991	Revalued - Jan 2000
7 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) 1 year old	208,908	Acquired - Jan 2001
8 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) 1 year old	345,165	Acquired - Aug 2001

Registered Owner & Address	Land area sq.metres	Built-up area sq.metres	Existing use/ Description	Tenure/ (Expiry date) Age of building	NBV as at 31/12/01	Date of last revaln/ acquisition
XEPA-SOUL PATTINSON (MALAYSIA) SDN BHD						
9 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) 9 years old	12,813,555	Revalued - Jan 2000
10 Lot Nos. PT 1374 Mukim of Bertam, District of Melaka Tengah, Melaka (Cheng Industrial Estate - Phase 1)	9,698	-	Car park	Leasehold / (exp. 2096)	1,380,185	Acquired - June 2000
	<u>40,384</u>	<u>12,094</u>			<u>19,699,114</u>	

Revaluation Policy:

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

Authorised Share Capital	:	RM100,000,000
Issued and Fully Paid-up Capital	:	RM43,478,000
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	1 Vote per Ordinary Share

ANALYSIS OF SHAREHOLDINGS

as at 19 March 2002

Category	No. of holders		No. of shares		Percentage (%)	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1 - 999	0	0	0	0	0.00	0.00
1,000 - 10,000	2,313	32	4,654,000	131,000	10.70	0.30
10,001 - 100,000	64	2	1,873,000	72,000	4.31	0.16
100,001 - 2,173,899	16	1	5,664,865	225,000	13.03	0.52
2,173,900 and above	2	1	23,262,708	7,595,427	53.51	17.47
Total	2,395	36	35,454,573	8,023,427	81.55	18.45

TOP 30 SHAREHOLDERS

as at 19 March 2002

No.	Name of Shareholders	No of Shares Held	Percentage (%)
1.	Apex Pharmacy Holdings Sdn Bhd	17,375,604	39.96
2.	Washington H. Soul Pattinson and Company Limited	7,211,427	16.59
3.	Bank Pembangunan dan Infrastruktur Malaysia Berhad	1,348,334	3.10
4.	Bank Pembangunan dan Infrastruktur Malaysia Berhad	1,313,333	3.02
5.	Bank Pembangunan dan Infrastruktur Malaysia Berhad	1,313,333	3.02
6.	Permodalan Nasional Berhad	1,202,478	2.77
7.	HSBC Nominees (Tempatan) Sdn Bhd <i>Qualifier: HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust</i>	997,000	2.29
8.	Bank Pembangunan dan Infrastruktur Malaysia Berhad	992,104	2.28
9.	Bank Pembangunan dan Infrastruktur Malaysia Berhad	915,000	2.10
10.	Md Ali bin Md Dewal	428,739	0.99
11.	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd <i>Qualifier: Bumiputra-Commerce Trustee Berhad for Pacific Dana Aman</i>	411,000	0.95
12.	Washington H. Soul Pattinson and Company Limited	384,000	0.88
13.	BHLB Trustee Berhad <i>Qualifier: Pacific Recovery Fund</i>	304,000	0.70
14.	Rosina binti Aladad Khan	300,000	0.69
15.	Bumiputra-Commerce Trustee Berhad <i>Qualifier: Amanah Saham Darul Aman</i>	290,000	0.67

No.	Name of Shareholders	No of Shares Held	Percentage (%)
16.	Universal Trustee (Malaysia) Berhad <i>Qualifier: Pacific Premier Fund</i>	270,000	0.62
17.	Arab-Malaysian Nominees (Tempatan) Sdn Bhd <i>Qualifier: Arab-Malaysian Trustee Bhd for Pacific Pearl Fund</i>	269,000	0.62
18.	Kee Kirk Chin	225,000	0.52
19.	Employees Provident Fund Board	218,000	0.50
20.	Tan Yan Meng Warren	200,000	0.46
21.	Lai Man Sik	186,000	0.43
22.	Tengku Puan Nor Sa'adah binti Al-Marhum Sultan Sulaiman Shah	182,648	0.42
23.	Ahmad Kamal bin Md. Alif	140,000	0.32
24.	BHLB Trustee Berhad <i>Qualifier: Pacific Income Fund</i>	131,000	0.30
25.	Teoh Choon Neo @ Ivy Teoh Choon Neo	100,000	0.23
26.	TCL Nominees (Tempatan) Sdn Bhd <i>Qualifier: OCBC Securities Private Limited for Chan Leong Cheng</i>	100,000	0.23
27.	Ki Tak Sang @ Kee Tak Sang	100,000	0.23
28.	Mohamed Said bin Ibrahim	82,000	0.19
29.	Intiteguh Sdn Bhd	81,000	0.19
30.	Chia Ting Poh @ Cheah Ting Poh	79,000	0.18
TOTAL		37,150,000	85.45

SUBSTANTIAL SHAREHOLDERS

as at 19 March 2002

(per Register of Substantial Shareholders)

Shareholders	Direct		Indirect	
	No. of ordinary shares	%	No. of ordinary shares	%
Apex Pharmacy Holdings Sdn Bhd	17,380,604	39.98	-	-
Washington H. Soul Pattinson and Company Limited	7,595,427	17.47	-	-
Bank Pembangunan dan Infrastruktur Malaysia Berhad	5,882,104	13.53	-	-
Xepa Holdings Sdn Bhd	-	-	17,380,604 ⁽¹⁾	39.98
United Medicorp Pte Ltd	-	-	17,380,604 ⁽¹⁾	39.98
Apex Holdings (Pte) Ltd	-	-	17,380,604 ⁽¹⁾	39.98
Xepa Holdings Pte Ltd	-	-	17,380,604 ⁽¹⁾	39.98
Kee Tah Peng @ Hee Teck Peng	56,000	0.13	17,380,604 ⁽¹⁾	39.98
Dr Kee Kirk Chin	225,000	0.52	17,380,604 ⁽¹⁾	39.98
Yang Liew Fang	-	-	17,380,604 ⁽¹⁾	39.98
Kee Kirk Chuen	20,000	0.05	17,380,604 ⁽¹⁾	39.98
Dr Kee Loo	-	-	17,380,604 ⁽¹⁾	39.98
United Engineers Limited	-	-	17,380,604 ⁽¹⁾	39.98

Notes:

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

DIRECTORS' SHAREHOLDINGS

as at 19 March 2002

(per Register of Directors' Shareholdings)

Name of Directors	Direct		Indirect	
	No. of ordinary shares	%	No. of ordinary shares	%
Kee Tah Peng @ Hee Teck Peng	56,000	0.13	17,380,604 ⁽¹⁾	39.98
Dr Kee Kirk Chin	225,000	0.52	17,380,604 ⁽¹⁾	39.98
Ki Tak Sang @ Kee Tak Sang	110,000	0.25	-	-
Jackson Chevalier Yap-Kit-Siong	10,000 ⁽²⁾	0.02	-	-
Robert Dobson Millner	10,000	0.02	-	-
Peter Raymond Robinson (alternate to Robert Dobson Millner)	10,000	0.02	-	-
Mohd Ramli Bin Samian	10,000 ⁽²⁾	0.02	-	-
Leong Khai Cheong	10,000	0.02	-	-
Md Ali Bin Md Dewal	428,739	0.99	-	-
Dr Ahmad Kamal Bin Md Alif	140,000	0.32	-	-

ANNUAL REPORT 2001

Notes:

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

(2) Held through nominee company.



Apex Healthcare Berhad (473108-T)
(Incorporated in Malaysia)

No. of shares held

I/We, _____ NRIC/Company No. _____
(Please use block letters)

of _____
(Full Address)

being a member/members of APEX HEALTHCARE BERHAD hereby appoint

_____ of _____
or failing him, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held at Bunga Melati Room, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Wednesday, 22 May 2002 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
ORDINARY BUSINESS		
1. To receive and adopt the Statutory Financial Statements for the financial year ended 31 December 2001 together with the Directors' and Auditors' Reports thereon		
2. To declare a final tax-exempt dividend of four (4) sen per share for the financial year ended 31 December 2001		
3. To approve the payment of Directors' fees for the financial year ended 31 December 2001		
4. To re-elect Dr Kee Kirk Chin 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 Mohd Ramli Bin Samian retiring in accordance with Article 89 of the Company's Articles of Association		
7. To re-elect Dr Ahmad Kamal Bin Md Alif retiring in accordance with Article 83 of the Company's Articles of Association		
8. To re-appoint Kee Tah Peng @ Hee Teck Peng retiring in accordance with Section 129 of the Companies Act, 1965		
9. To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS		
10. To authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
11. To renew the mandate given to the Company to allow recurrent related party transactions of a revenue or trading nature		

*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 _____ 2002

Signature of Member(s) or Common Seal

Notes:-

- A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies, and in the case of a corporation, a duly authorised representative to attend and vote in his stead.
- A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.
- 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

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