

Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	GROUP RM	COMPANY RM
Net profit for the year	10,664,626	4,941,383

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2002 were as follows:.

	RM
In respect of the financial year ended 31 December 2002 as reported in the Directors' report of that year:	
Final dividend of 5% less 28% tax, paid on 26 June 2003	1,568,448
In respect of the financial year ended 31 December 2003:	
Interim dividend of 4.5% less 28% tax, paid on 8 October 2003	2,152,640
	<u>3,721,088</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2003 of 5 sen per share tax exempt amounting to RM3,337,425 on 66,748,500 ordinary shares will be proposed for shareholders approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved will be accounted for in shareholders' equity as appropriation of retained profits in the financial year ending 31 December 2004.

DIRECTORS

The Directors of the Company in office since the date of the last Directors' Report and at the date of this report are:-

Kee Tah Peng @ Hee Teck Peng

Dr. Kee Kirk Chin

Ki Tak Sang @ Kee Tak Sang

Jackson Chevalier Yap-Kit-Siong

Leong Khai Cheong

Robert Dobson Millner

Mohd Ramli bin Samian

Md. Ali bin Md. Dewal

Dr. Ahmad Kamal bin Md. Alif

Peter Raymond Robinson (Alternate to Robert Dobson Millner)

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

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

DIRECTORS' BENEFITS

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

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

Directors' report (continued)

DIRECTORS' INTERESTS

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

	Ordinary shares of RM1 each			
	As at	Acquired/ bonus issue	Disposed	As at
	1.1.2003	During the year	the year	31.12.2003
Direct interest				
Kee Tah Peng @ Hee Teck Peng	56,000	5,000	(46,000)	15,000
Dr Kee Kirk Chin	210,000	105,000	-	315,000
Ki Tak Sang @ Kee Tak Sang	110,000	90,000	-	200,000
Jackson Chevalier Yap-Kit-Siong	10,000	5,000	-	15,000
Leong Khai Cheong	10,000	5,000	-	15,000
Robert Dobson Millner	10,000	5,000	-	15,000
Mohd Ramli bin Samian	10,000	5,000	-	15,000
Md. Ali bin Md. Dewal	428,739	214,369	-	643,108
Dr. Ahmad Kamal bin Md. Alif	140,000	70,000	-	210,000
Peter Raymond Robinson	10,000	5,000	-	15,000

Indirect interest

Kee Tah Peng @ Hee Teck Peng	17,400,604	8,745,302	-	26,145,906
Dr Kee Kirk Chin	17,400,604	8,745,302	-	26,145,906

Number of options over ordinary shares of RM1 each

	Granted/			As at 31.12.2003
	As at 1.1.2003	bonus issue During the year	Exercised During the year	
Kee Tah Peng @ Hee Teck Peng	184,000	92,000	-	276,000
Dr Kee Kirk Chin	230,000	215,000	-	445,000
Ki Tak Sang @ Kee Tak Sang	150,000	125,000	(35,000)	240,000

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

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

SIGNIFICANT EVENT

Significant event during the year is disclosed in Note 28 to the financial statements.

EMPLOYEE SHARE OPTIONS SCHEME

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

The main features of the ESOS are as follows:

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

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

	Number of Share Options
At 1 January 2003	3,777,000
Granted	479,100
Adjustment for bonus issue	1,563,000
Lapsed	(238,500)
Exercised	(1,125,500)
	<hr/>
At 31 December 2003	4,455,100
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The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings.

Directors' report (continued)

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:-
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debt; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:-
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:-
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors
 - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

Directors' report (continued)

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AUDITORS

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

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

KEE TAH PENG @ HEE TECK PENG

DR KEE KIRK CHIN

Melaka
25 February 2004

Statement by directors

pursuant to section 169(15) of the companies act, 1965

We, KEE TAH PENG @ HEE TECK PENG and DR KEE KIRK CHIN, being two of the Directors of APEX HEALTHCARE BERHAD, state that in the opinion of the Directors, the financial statements set out on pages 40 to 76 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

KEE TAH PENG @ HEE TECK PENG

DR KEE KIRK CHIN

Melaka
25 February 2004

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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 BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 76 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960

KI TAK SANG @ KEE TAK SANG

Subscribed and solemnly declared by the abovenamed KI TAK SANG @ KEE TAK SANG at Melaka in Malaysia on 25 February 2004,

Before me

COMMISSIONER FOR OATHS

Report of the Auditors

to the members of Apex Healthcare Bhd

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We have audited the accompanying financial statements set out on pages 40 to 76. 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 applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:-
 - (i) the financial position of the Group and of the Company as at 31 December 2003 and of the results of the Group and of the Company and the cash flows of the Group and of the Company for the financial year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

Ernst & Young
AF: 0039
Chartered Accountants

Yap Seng Chong
No. 2190/12/05 (J)
Partner

Kuala Lumpur, Malaysia
25 February 2004

Income statements

for the year ended 31 december 2003

	Note	GROUP		COMPANY	
		2003 RM	2002 RM (restated)	2003 RM	2002 RM
Revenue	3	171,120,972	157,499,328	7,934,467	23,285,806
Cost of sales / services		(125,272,995)	(115,205,108)	(1,082,834)	(885,242)
Gross profit		45,847,977	42,294,220	6,851,633	22,400,564
Other operating income		789,090	450,885	734,581	500,229
Selling and distribution costs		(23,693,237)	(21,413,697)	(4,363)	(7,476)
Administrative expenses		(7,664,150)	(7,745,238)	(519,037)	(386,255)
Other operating expenses		(281,190)	(337,293)	(1,227,623)	(39,720)
Profit from operations	4	14,998,490	13,248,877	5,835,191	22,467,342
Finance costs, net	5	(110,740)	(105,416)	-	-
Profit before taxation		14,887,750	13,143,461	5,835,191	22,467,342
Taxation	6	(4,223,124)	(3,859,113)	(893,808)	(5,153,705)
Net profit for the year		10,664,626	9,284,348	4,941,383	17,313,637
Basic earnings per share (sen)	7	16.16	14.17		
Diluted earnings per share (sen)	7	15.85	13.95		
Net dividends per share (sen)	8	8.24	7.60		

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

Balance sheets

as at 31 december 2003

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		GROUP		COMPANY	
	Note	2003 RM	2002 RM (restated)	2003 RM	2002 RM
NON-CURRENT ASSETS					
Property, plant and equipment	9	36,413,689	31,553,934	13,867	25,302
Subsidiary companies	10	-	-	32,658,008	33,856,367
		36,413,689	31,553,934	32,671,875	33,881,669
CURRENT ASSETS					
Inventories	11	31,064,686	28,091,378	-	-
Trade and other receivables	12	36,316,114	35,547,455	35,175,945	31,879,654
Tax recoverable		235,798	128,782	36,326	34,652
Deposits with licensed banks	13	6,000,000	3,327,864	5,850,000	1,650,000
Cash and bank balances	13	5,472,355	8,812,751	261,669	3,408,148
		79,088,953	75,908,230	41,323,940	36,972,454
CURRENT LIABILITIES					
Trade and other payables	14	25,604,560	25,629,876	220,536	311,687
Provision for retirement benefits	15	-	39,053	-	-
Proposed Directors' fees		104,000	78,000	104,000	78,000
Taxation		825,412	1,080,525	-	-
Short term borrowings	16	2,359,542	2,187,484	-	-
		28,893,514	29,014,938	324,536	389,687
NET CURRENT ASSETS		50,195,439	46,893,292	40,999,404	36,582,767
		86,609,128	78,447,226	73,671,279	70,464,436
FINANCED BY:-					
Share capital	17	66,697,500	43,557,000	66,697,500	43,557,000
Share premium		391,876	3,663,870	391,876	8,214,828
Other reserves	18	4,191,141	4,191,141	-	-
Retained profits	19	12,809,611	23,748,031	6,581,903	18,692,608
Shareholders' funds		84,090,128	75,160,042	73,671,279	70,464,436
NON-CURRENT LIABILITIES					
Provision for retirement benefits	15	-	1,149,184	-	-
Deferred taxation	20	2,519,000	2,138,000	-	-
		2,519,000	3,287,184	-	-
		86,609,128	78,447,226	73,671,279	70,464,436

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

Consolidated statement of changes in equity

	Note	NON-DISTRIBUTABLE			DISTRIBUTABLE		Total RM
		Share capital RM	Revaluation reserve RM	Foreign currency translation reserve RM	Share premium RM	Retained profits RM	
At 1 January 2002							
As previously stated		43,400,000	5,627,818	(25,603)	3,439,360	18,158,203	70,599,778
Prior year adjustments	21	-	(1,574,000)	-	-	(212,000)	(1,786,000)
As restated		43,400,000	4,053,818	(25,603)	3,439,360	17,946,203	68,813,778
Net gain not recognised in income statement:							
- currency translation differences		-	-	162,926	-	-	162,926
Net profit for the year (restated)		-	-	-	-	9,284,348	9,284,348
Dividends	8					(3,482,520)	(3,482,520)
Issue of shares							
- exercise of options under the Employee Share Option Scheme		157,000	-	-	224,510	-	381,510
At 31 December 2002		43,557,000	4,053,818	137,323	3,663,870	23,748,031	75,160,042
Net loss not recognised in income statement:							
- Share issue expenses		-	-	-	(210,212)	-	(210,212)
Net profit for the year		-	-	-	-	10,664,626	10,664,626
Reclassification of account	22	-	-	-	4,550,958	(4,550,958)	-
Dividends	8	-	-	-	-	(3,721,088)	(3,721,088)
Issue of shares							
- exercise of options under the Employee Share Option Scheme		1,125,500	-	-	1,071,260	-	2,196,760
Bonus issue of shares		22,015,000	-	-	(8,684,000)	(13,331,000)	-
At 31 December 2003		66,697,500	4,053,818	137,323	391,876	12,809,611	84,090,128

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

Company statement of changes in equity

for the year ended 31 december 2003

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		NON-DISTRIBUTABLE		DISTRIBUTABLE	
	Note	Share capital RM	Share premium RM	Retained profits RM	Total RM
At 1 January 2002		43,400,000	7,990,318	4,861,491	56,251,809
Net profit for the year		-	-	17,313,637	17,313,637
Dividends	8			(3,482,520)	(3,482,520)
Issue of shares - exercise of options under the Employee Share Option Scheme		157,000	224,510	-	381,510
At 31 December 2002		43,557,000	8,214,828	18,692,608	70,464,436
Net profit for the year		-	-	4,941,383	4,941,383
Dividends	8	-	-	(3,721,088)	(3,721,088)
Issue of shares - exercise of options under the Employee Share Option Scheme		1,125,500	1,071,260	-	2,196,760
Bonus issue of shares		22,015,000	(8,684,000)	(13,331,000)	-
Net loss not recognised in the income statement - share issue expenses		-	(210,212)	-	(210,212)
At 31 December 2003		66,697,500	391,876	6,581,903	73,671,279

Cash flow statements

for the year ended 31 december 2003

The annexed notes form an integral part of the financial statements

Note	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	14,887,750	13,143,461	5,835,191	22,467,342
Adjustments for :-				
Depreciation of property, plant and equipment	3,406,909	3,159,613	12,084	15,998
Property, plant and equipment written off	71,883	905	-	901
Interest expense	110,740	105,416	-	-
Interest income	(83,552)	(163,181)	(734,581)	(500,229)
Dividend income	-	-	(6,850,000)	(22,664,851)
Impairment loss in a subsidiary company	-	-	1,198,359	-
(Gain)/loss on disposal of property, plant and equipment	(229,480)	(70,710)	1,197	-
Allowance for doubtful debts	810,181	484,289	-	-
Allowance for doubtful debts written back	(280,348)	(244,096)	-	-
Bad debts written off	20,693	3,474	-	-
Allowance for inventory obsolescence	93,544	-	-	-
Inventories written off	257,530	156,686	-	-
Inventories written down	34,661	-	-	-
Unrealised foreign exchange loss	7,321	5,658	-	-
Provision for retirement benefits	206,498	478,445	-	-
Operating profit/(loss) before working capital changes	19,314,330	17,059,960	(537,750)	(680,839)
Inventories	(3,359,043)	(1,269,704)	-	-
Receivables	(1,319,185)	(7,188,579)	(3,296,291)	(20,588,469)
Payables	(6,637)	6,081,391	(65,151)	178,605
Cash generated from/ (used in) operation	14,629,465	14,683,068	(3,899,192)	(21,090,703)
Retirement benefits paid	(1,394,735)	(555,375)	-	-
Tax paid	(4,204,253)	(4,039,854)	(55,482)	(65,480)
Dividends received	-	-	6,010,000	27,358,480
Net cash generated from operating activities	9,030,477	10,087,839	2,055,326	6,202,297

Cash flow statements

for the year ended 31 december 2003 (continued)

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		GROUP		COMPANY	
	Note	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment	23(a)	(8,387,640)	(2,778,397)	(2,280)	(11,521)
Proceeds from disposal of property, plant and equipment		278,573	124,586	434	-
Interest received		83,552	163,181	734,581	500,229
Net cash (used in)/generated from investing activities					
		(8,025,515)	(2,490,630)	732,735	488,708
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		2,196,760	381,510	2,196,760	381,510
Payment of share issue expenses		(210,212)	-	(210,212)	-
Drawdown of term loan		616,000	-	-	-
Repayment of term loan		(66,446)	-	-	-
Dividends paid		(3,721,088)	(3,482,520)	(3,721,088)	(3,482,520)
Interest paid		(110,740)	(105,416)	-	-
Trade financing facilities received/(paid)		84,580	(170,000)	-	-
Repayment of hire purchase facilities		-	(3,037)	-	-
Net cash used in financing activities					
		(1,211,146)	(3,379,463)	(1,734,540)	(3,101,010)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS					
		(206,184)	4,217,746	1,053,521	3,589,995
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR					
		10,324,551	5,945,830	5,058,148	1,468,153
CURRENCY TRANSLATION DIFFERENCES					
		-	160,975	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR					
	23(b)	10,118,367	10,324,551	6,111,669	5,058,148

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

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Notes to the financial statements

- 31 December 2003

1. GENERAL

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

The number of employees at the end of the financial year was 503 (2002: 484) for the Group and 4 (2002: 4) for the Company.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 February 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

During the financial year ended 31 December 2003, the Group and the Company adopted the following Malaysian Accounting Standard Board ("MASB") Standards for the first time:

MASB 25	Income Taxes
MASB 27	Borrowing Costs
MASB 29	Employee Benefits

The effects of adopting MASB 25 are summarised in the consolidated Statement of Changes in Equity and further information is disclosed in Note 21 to the financial statements. The adoption of MASB 27 and MASB 29 have not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

(b) Basis of Consolidation

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

Subsidiary companies are consolidated using the acquisition method of accounting except for certain subsidiary companies, as disclosed in Note 10, which were consolidated prior to 1 January 2002 using the merger method of accounting in accordance with Malaysian Accounting Standard No. 2, Accounting for Acquisitions and Mergers, the generally accepted accounting principles prevailing at that time.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(c) Property, plant and equipment

All property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at market value, based on valuations once in every five years by independent valuers, less subsequent amortisation/depreciation and impairment losses. All other property, plant and equipment and additions to land and buildings in the period between valuations are stated at historical cost less accumulated depreciation and impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2(m).

Surpluses arising from revaluation are credited to revaluation reserve. Any deficit from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

Freehold land is not amortised as it has an infinite life. Long Leasehold land is amortised in equal instalments over the periods of the respective leases that range from 73 to 97 years. Depreciation of the other property, plant and equipment is calculated to write off the cost, or the revalued amounts, in equal instalments over their estimate useful lives.

The principal annual depreciation rates used for this purpose are:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment in subsidiary companies

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

(e) Inventories

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

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

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

During the year, a subsidiary company adopted standard cost method calculated on the weighted average method basis in place of the first-in-first-out method. The Directors of the subsidiary company are of the opinion that standard cost method allows precise and accurate valuation of the inventories.

(f) Taxation

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

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

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

(g) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia and Singapore make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Defined benefits plan

A subsidiary company operated a funded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees employed before 1 January 2001. The subsidiary company's obligations under the Scheme were determined based on triennial actuarial valuation where the amount of benefit that employees had earned in return for their service in the current and prior years was estimated. That benefit was discounted using the Projected Benefit Valuation Method in order to determine its present value. Actuarial gains and losses were recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service cost was recognised immediately to the extent that the benefits were already vested, and otherwise was amortised on a straight-line basis over the average period until the amended benefits became vested.

The Scheme was terminated on 1 July 2003. The retirement benefits attributed to subsidiary company's eligible employees for their service up to termination date were actuarially determined and settled by way of a lump sum payment in October 2003.

(h) Foreign Currencies

(i) Foreign entity

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

(ii) Foreign currency transaction and balances

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

Notes to the financial statements - 31 december 2003 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	2003 RM	2002 RM
1 United States Dollar	3.80	3.80
1 Singapore Dollar	2.20	2.19
1 Euro Dollar	4.77	3.98

(i) Research Cost

Research cost is recognised as an expense when incurred.

(j) Capitalisation of Interest Costs

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

k) Operating Leases

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

(l) Revenue Recognition

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

(i) Sale of goods

Revenue relating to sale of goods are recognised upon delivery of goods and acknowledgement of acceptance by customers.

(ii) Revenue from services

Revenue from services rendered is recognised as and when the services are performed.

(iii) Dividend income

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

(iv) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of Assets

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

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

(n) Financial Instruments

Financial instruments recognised on the balance sheet:

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

(i) Receivables

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

(ii) Payables

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

(iii) Interest-bearing borrowings

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

(iv) Equity instrument

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

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

Notes to the financial statements - 31 december 2003 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments not recognised in the balance sheet;

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

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

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

(o) Cash and Cash Equivalents

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

3. REVENUE

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Sale of pharmaceutical products	171,120,972	157,499,328	-	-
Gross dividends from unquoted subsidiary companies	-	-	6,850,000	22,664,851
Management service fees	-	-	1,084,467	620,955
	171,120,972	157,499,328	7,934,467	23,285,806

Notes to the financial statements - 31 december 2003 (continued)

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4. PROFIT FROM OPERATIONS

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Directors' fees				
-Executive Directors	8,000	12,000	8,000	12,000
-Non-executive Directors	96,000	66,000	96,000	66,000
Consulting fees paid to a Director	180,000	-	180,000	-
Depreciation of property, plant and equipment	3,406,909	3,159,613	12,084	15,998
Auditors' remuneration				
-current year	61,000	64,575	17,000	19,000
-over provided in prior year	-	(3,085)	-	-
- other services	5,000	61,580	5,000	15,000
Foreign exchange loss				
-realised	48,620	52,488	-	-
-unrealised	7,321	5,658	-	-
Rental expenses	2,361,525	2,333,742	-	-
Research and development cost	263,460	469,136	-	-
Provision for retirement benefits	206,498	478,445	-	-
Allowance for doubtful debts	810,181	484,289	-	-
Bad debts written off	20,693	3,474	-	-
Property, plant and equipment written off	71,883	905	-	901
Allowance for inventory obsolescence	93,544	-	-	-
Inventories written off	257,530	156,686	-	-
Inventories written down	34,661	-	-	-
Impairment loss in a subsidiary company	-	-	1,198,359	-
Allowance for doubtful debts written back	(280,348)	(244,096)	-	-
Bad debts recovered	(6,290)	-	-	-
(Gain)/loss on disposal of property, plant and equipment	(229,480)	(70,710)	1,197	-
Rental income	(180,216)	(180,850)	-	-
Interest income	(83,552)	(163,181)	(734,581)	(500,229)

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4. PROFIT FROM OPERATIONS (CONTINUED)

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Wages, salaries and social security cost	16,211,366	15,796,088	793,266	687,901
Pension costs:				
- defined contribution plans	1,928,575	2,023,174	95,388	92,736
- defined benefit plan	206,498	478,445	-	-
Other staff related expenses	660,280	626,161	90,180	26,605
	19,006,719	18,923,868	978,834	807,242

Included in staff costs of the Group and of the Company are executive Directors' emoluments other than directors' fee amounting to RM1,384,819 and RM860,369 (2002: RM1,644,929 and RM581,244) respectively.

The estimated monetary value of non-cash benefits provided to certain executive Directors of the Company during the financial year amounted to RM1,200 (2002: RM9,183).

5. FINANCE COSTS

	GROUP	
	2003 RM	2002 RM
Interest expense on:		
- bank overdrafts	79,442	49,847
- trade financing	31,298	54,923
- others	-	646
	110,740	105,416

6. TAXATION

	GROUP		COMPANY	
	2003 RM	2002 RM (restated)	2003 RM	2002 RM
Tax expense for the year:				
Malaysian income tax	3,782,000	3,841,526	915,000	5,180,358
Deferred tax				
Relating to origination and reversal of temporary differences	381,000	(43,000)	-	-
Under/(Over) provision in previous years				
Malaysian income tax	60,124	60,587	(21,192)	(26,653)
	4,223,124	3,859,113	893,808	5,153,705

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2002: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the financial statements - 31 december 2003 (continued)

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6. TAXATION (CONTINUED)

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

	2003 RM	2002 RM (restated)
Group		
Profit before taxation	14,887,750	13,143,461
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	4,168,570	3,680,169
Income not subject to tax	(36,627)	(10,388)
Expenses not deductible for tax purposes	230,470	357,675
Utilisation of current year's reinvestment allowances	(142,259)	(220,181)
Double deduction for tax purposes	(58,358)	(18,883)
Deferred tax assets not recognised during the year	9,204	10,134
Effect of lower tax rate for small and medium scale companies	(8,000)	-
Under provision of income tax in prior years adjusted in current year	60,124	60,587
	4,223,124	3,859,113
Company		
Profit before taxation	5,835,191	22,467,342
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	1,633,853	6,290,856
Income not subject to tax	(1,078,000)	(1,176,000)
Expenses not deductible for tax purposes	355,105	60,202
Deferred assets not recognised during the year	4,042	5,300
Over provision of income tax in prior years adjusted in current year	(21,192)	(26,653)
Tax expense for the year	893,808	5,153,705

Notes to the financial statements - 31 december 2003 (continued)

7. EARNINGS PER SHARE

(i) Basic earnings per share

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

	GROUP	
	2003	2002
Net profit for the financial year (RM)	10,664,626	9,284,348
Weighted average number of ordinary shares in issue	66,011,438	65,530,583
Basic earnings per share	16.16	14.17

Comparative basic earnings per share for the financial year ended 31 December 2002 has been restated to take into account the effect of the bonus issues, as disclosed in Note 17 to the financial statements.

(ii) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has a category of dilutive potential ordinary shares, ie 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	
	2003	2002
Net profit for the financial year (RM)	10,664,626	9,284,348
Weighted number of ordinary shares in issue	66,011,438	65,530,583
Adjustment for share options	1,274,680	1,018,840
Adjusted weighted average number of ordinary shares in issue and issuable	67,286,118	66,549,423
Diluted earnings per share (sen)	15.85	13.95

Comparative diluted earnings per share for the financial year ended 31 December 2002 has been restated to take into account the effect of the bonus issues, as disclosed in Note 17 to the financial statements.

Notes to the financial statements - 31 december 2003 (continued)

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8. DIVIDENDS

	2003		2002	
	Dividend per share net of tax Sen	Amount of dividend net of tax RM	Dividend per share net of tax Sen	Amount of dividend net of tax RM
Final dividend in respect of prior financial year: - 5 sen (2001: 4 sen) per share less 28% tax (2001: tax exempt)	3.60	1,568,448	4.00	1,740,680
Interim dividend of 4.5 sen (2002: 4 sen) per share less 28% tax (2002: tax exempt)	3.24	2,152,640	4.00	1,741,840
	6.84	3,721,088	8.00	3,482,520

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2003 of 5 sen per share tax exempt amounting to RM3,337,425 on 66,748,500 ordinary shares will be proposed for shareholders approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved will be accounted for in shareholders' equity as appropriation of retained profits in the financial year ending 31 December 2004.

Notes to the financial statements - 31 december 2003 (continued)

9. PROPERTY, PLANT AND EQUIPMENT

GROUP	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
Net Book Value									
At 1 January 2003	290,000	150,400	8,136,083	8,724,054	2,180,800	6,150,935	3,900,243	2,021,419	31,553,934
Additions	5,271,127	-	-	151,092	-	846,779	1,488,051	630,591	8,387,640
Disposals	-	-	-	-	-	-	(1,636)	(47,457)	(49,093)
Write off	-	-	-	-	-	-	(71,883)	-	(71,883)
Depreciation charge	-	(3,200)	(87,540)	(184,705)	(46,400)	(1,134,509)	(1,238,060)	(712,495)	(3,406,909)
At 31 December 2003	5,561,127	147,200	8,048,543	8,690,441	2,134,400	5,863,205	4,076,715	1,892,058	36,413,689
At 31.12.2003									
Cost	5,271,127	-	1,409,242	3,026,347	-	14,808,019	12,476,241	4,118,010	41,108,986
Valuation	290,000	160,000	6,990,000	6,360,000	2,320,000	-	-	-	16,120,000
Accumulated depreciation	-	(12,800)	(350,699)	(695,906)	(185,600)	(8,944,814)	(8,399,526)	(2,225,952)	(20,815,297)
Net book value	5,561,127	147,200	8,048,543	8,690,441	2,134,400	5,863,205	4,076,715	1,892,058	36,413,689
At 31.12.2002									
Cost	-	-	1,409,242	2,875,255	-	13,965,440	11,447,489	3,984,410	33,681,836
Valuation	290,000	160,000	6,990,000	6,360,000	2,320,000	-	-	-	16,120,000
Accumulated depreciation	-	(9,600)	(263,159)	(511,201)	(139,200)	(7,814,505)	(7,547,246)	(1,962,991)	(18,247,902)
Net book value	290,000	150,400	8,136,083	8,724,054	2,180,800	6,150,935	3,900,243	2,021,419	31,553,934

The title pertaining to a piece of freehold land owned by a subsidiary company acquired during the year is in the process of being transferred to the name of the subsidiary concerned

Notes to the financial statement - 31 december 2003 (continued)

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings and equipment RM	Total RM
COMPANY		
Movements:		
Net Book Value		
At 1 January 2003	25,302	25,302
Additions	2,280	2,280
Disposals	(1,631)	(1,631)
Depreciation charge	(12,084)	(12,084)
At 31 December 2003	13,867	13,867
At 31.12.2003		
Cost	57,586	57,586
Accumulated depreciation	(43,719)	(43,719)
Net book value	13,867	13,867
At 31.12.2002		
Cost	57,453	57,453
Accumulated depreciation	(32,151)	(32,151)
Net book value	25,302	25,302

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	
	2003 RM	2002 RM
Freehold land	280,000	280,000
Buildings on freehold land	137,228	141,903
Long leasehold land	2,408,399	2,435,490
Buildings on leasehold land	5,674,713	5,816,742
Freehold shop units	1,152,091	1,187,507
	9,652,431	9,861,642

Notes to the financial statements - 31 december 2003 (continued)

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10. SUBSIDIARY COMPANIES

	COMPANY	
	2003 RM	2002 RM
Unquoted shares at cost	40,404,874	40,404,874
Lees: Net dividends from pre-merger profits	(6,548,507)	(6,548,507)
	33,856,367	33,856,367
Accumulated impairment loss	(1,198,359)	-
	32,658,008	33,856,367

The unquoted subsidiary companies are as follows:-

Name of subsidiary company	Place of incorporation	Principal activities	Effective equity interest	
			2003 %	2002 %
+Xepa-Soul Pattinson (Malaysia) Sendirian Berhad	Malaysia	Manufacturing of pharmaceutical products	100	100
+Apex Pharmacy Marketing Sdn. Bhd.	Malaysia	Marketing and distribution of pharmaceutical products	100	100
+Apex Pharmacy Sendirian Berhad	Malaysia	Retailing of pharmaceutical products	100	100
+ABio Marketing Sdn. Bhd. (formerly known as Apex Pharmacy (E.M.) Sdn. Bhd.)	Malaysia	Marketing and distribution of healthcare products	100	100
Subsidiary company of Xepa-Soul Pattinson (Malaysia) Sendirian Berhad				
Xepa-Soul Pattinson (S) Pte Ltd	Singapore	Marketing and distribution of pharmaceutical products	100	100

+ Consolidated using merger accounting.

Notes to the financial statements - 31 december 2003 (continued)

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11. INVENTORIES

	GROUP	
	2003 RM	2002 RM
At cost:		
Raw materials	2,841,009	2,270,851
Work in progress	419,939	153,950
Finished goods	2,635,869	3,599,391
Pharmaceutical items held for resale	25,167,869	22,067,186
	31,064,686	28,091,378

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM118,453,037 (2002: RM107,295,013).

12. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade receivables	34,863,519	33,642,273	-	-
Allowance for doubtful debts	(1,547,889)	(1,273,876)	-	-
	33,315,630	32,368,397	-	-
Bills receivable	512,860	538,958	-	-
Amounts due from subsidiary companies:				
-interest bearing	-	-	12,500,000	9,000,000
-non-interest bearing	-	-	22,671,925	22,757,931
Other receivables	163,979	842,521	-	-
Deposits	987,860	859,906	2,700	1,700
Prepayments	1,335,785	937,673	1,320	120,023
	36,316,114	35,547,455	35,175,945	31,879,654

Notes to the financial statements - 31 december 2003 (continued)

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	GROUP	
	2003 RM	2002 RM
Ringgit Malaysia	31,055,638	30,563,695
Singapore Dollar	1,853,777	1,602,014
United States Dollar	874,696	713,801
Others	44,379	27,845
	33,828,490	32,907,355

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

The amounts due from subsidiary companies are unsecured and have no credit terms or fixed terms of repayment. The effective weighted average interest rate for amounts due from subsidiary companies which are interest bearing at balance sheet date was 5.07% (2002: 5.2%) per annum.

The credit terms of trade receivables of the Group range from 30 days to 120 days (2002: 30 days to 120 days). Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are dispersed throughout the country. The Group's historical experience in collection of accounts receivables falls within the recorded credit periods. Due to these factors, the management believes that no additional credit risk beyond the allowance made for doubtful debts is inherent in the Group's trade receivables.

13. DEPOSITS WITH LICENSED BANKS, CASH AND BANK BALANCES

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

	Weighted average interest rates		Average maturities	
	2003 %	2002 %	2003 days	2002 days
Group and Company	3.0	3.2	17 to 30	17 to 30

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Ringgit Malaysia	11,107,106	11,713,619	6,111,669	5,058,148
Singapore Dollar	365,249	426,996	-	-
	11,472,355	12,140,615	6,111,669	5,058,148

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14. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade payables	19,397,816	20,673,157	-	-
Bills payable	1,523,894	504,684	-	-
Other payables	848,325	350,856	20,142	73,613
Accruals	3,834,525	4,101,179	200,394	238,074
	25,604,560	25,629,876	220,536	311,687

The currency exposure profile of payables is as follows:

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Ringgit Malaysia	22,335,314	23,183,001	220,536	311,687
Singapore Dollar	333,354	583,489	-	-
United States Dollar	2,789,299	1,589,177	-	-
Euro Dollar	10,073	12,117	-	-
Others	136,520	262,092	-	-
	25,604,560	25,629,876	220,536	311,687

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

15. PROVISION FOR RETIREMENT BENEFITS

	GROUP	
	2003 RM	2002 RM
At 1 January	1,188,237	1,265,167
Charged to income statement	206,498	478,445
Paid during the financial year	(1,394,735)	(555,375)
At 31 December	-	1,188,237

The above represented a defined benefit retirement plan for eligible employees employed before 1 January 2001. The pension plan was valued by independent qualified actuaries every three years using the projected benefit valuation method. During the year, the subsidiary company dissolved the retirement plan. A payment of RM1,394,735 was made to the eligible employees during the year.

Notes to the financial statements - 31 december 2003 (continued)

16. SHORT TERM BORROWINGS

	GROUP	
	2003 RM	2002 RM
Unsecured:		
Bank overdrafts	1,353,988	1,816,064
Trade financing facilities	456,000	371,420
Term loan	549,554	-
	2,359,542	2,187,484

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

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

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

	2003 %	2002 %
Bank overdrafts	6.50	7.60
Trade financing facilities	3.50	3.80
Term loan	4.70	-

17. SHARE CAPITAL

	Number of shares		Amount	
	2003 Unit	2002 Unit	2003 RM	2002 RM
Authorised:-				
Ordinary shares of RM1 each	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid ordinary shares of RM1 each:				
At 1 January	43,557,000	43,400,000	43,557,000	43,400,000
Issued arising from exercise of Employee Share Option Scheme	1,125,500	157,000	1,125,500	157,000
Bonus issue	22,015,000	-	22,015,000	-
	66,697,500	43,557,000	66,697,500	43,557,000

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.

17. SHARE CAPITAL (CONTINUED)

The main features of the ESOS are as follows:-

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

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

	Number of share options	
	2003	2002
At 1 January	3,777,000	3,779,000
Granted	479,100	284,000
Adjustment for bonus issue	1,563,000	-
Lapsed	(238,500)	(129,000)
Exercised	(1,125,500)	(157,000)
At 31 December	4,455,100	3,777,000

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

Exercise period	Exercise price		Number of share option	
	2003 RM	2002 RM	2003	2002
28.11.2002 - 08.10.2006	-	1.57	-	284,000
28.11.2003 - 08.10.2006	2.02	-	479,100	-

Notes to the financial statements - 31 december 2003 (continued)

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17. SHARE CAPITAL (CONTINUED)

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

Exercise period	Number of share option outstanding		
	2003	2002	
		After bonus issue	Before bonus issue
28.11.2001 - 08.10.2006	3,844,000	4,979,000	3,493,000
28.11.2002 - 08.10.2006	132,000	361,000	284,000
28.11.2003 - 08.10.2006	479,100	-	-

Exercise period	Exercise price	
	After bonus issue RM	Before bonus issue RM
28.11.2001 - 08.10.2006	1.62	2.43
28.11.2002 - 08.10.2006	1.57	2.36
28.11.2003 - 08.10.2006	2.02	-

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18. OTHER RESERVES

	GROUP	
	2003 RM	2002 RM (restated)
Non distributable		
Revaluation reserve	4,053,818	4,053,818
Foreign currency translation reserve	137,323	137,323
	4,191,141	4,191,141

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

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

19. RETAINED PROFITS

As at 31 December 2003, subject to the agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income tax Act, 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits.

Notes to the financial statements - 31 december 2003 (continued)

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20. DEFERRED TAXATION

	GROUP	
	2003 RM	2002 RM (restated)
At 1 January	2,138,000	2,181,000
Recognised in the income statement (Note 6)	381,000	(43,000)
At 31 December	2,519,000	2,138,000
Presented after appropriate off setting as follows:		
Deferred tax assets	(331,700)	(644,000)
Deferred tax liabilities	2,850,700	2,782,000
	2,519,000	2,138,000

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

Deferred tax assets:

	Provision for retirement benefits RM	Other payables RM	Total RM
At 1 January 2003	(333,000)	(311,000)	(644,000)
Recognised in the income statement	333,000	(20,700)	312,300
At 31 December 2003	-	(331,700)	(331,700)

Deferred tax liabilities:

	Accelerated capital allowances RM	Revaluation of property, plant and equipment RM	Total RM
At 1 January 2003	1,208,000	1,574,000	2,782,000
Recognised in the income statement	68,700	-	68,700
At 31 December 2003	1,276,700	1,574,000	2,850,700

Notes to the financial statements - 31 december 2003 (continued)

21. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS

(a) Change in Accounting Policy

During the year, the Group and the Company applied three new MASB Standards and accordingly modified certain accounting policies. The application of MASB 25, Income Taxes, resulted in a change in accounting policy and prior years' results were adjusted.

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing difference only to the extent that a tax liability was expected to materialise in the foreseeable future.

(b) Prior Year Adjustments

The change in accounting policy as stipulated in (a) above has been applied retrospectively and comparatives have been restated. The effects of change in accounting policy are as follows:

	GROUP	
	2003 RM	2002 RM
Effects on retained profits:		
At 1 January, as previously stated	23,944,031	18,158,203
Effects of adopting MASB 25	(196,000)	(212,000)
At 1 January, as restated	23,748,031	17,946,203
Effects on revaluation reserves		
At 1 January, as previously stated	5,627,818	5,627,818
Effects of adopting MASB 25	(1,574,000)	(1,574,000)
At 1 January, as restated	4,053,818	4,053,818
Effects on net profit for the year		
Net profit before change in accounting policy	10,664,626	9,268,348
Effects of adopting MASB 25	-	16,000
Net profit for the year	10,664,626	9,284,348

Notes to the financial statements - 31 december 2003 (continued)

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21. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) Prior Year Adjustments (continued)

Comparative amounts as at 31 December 2002 have been restated as follows:

Group	As previously stated RM	Adjustments RM	As restated RM
Balance sheet items:			
Retained profits	23,944,031	(196,000)	23,748,031
Revaluation reserves	5,627,818	(1,574,000)	4,053,818
Deferred taxation	368,000	1,770,000	2,138,000
Income statement items:			
Taxation	3,875,113	(16,000)	3,859,113
Profit after taxation	9,268,348	16,000	9,284,348

The changes in accounting policy has not given rise to any adjustments to the opening balances of retained profits of the prior and current years or to changes in comparatives of the Company.

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22. RECLASSIFICATION OF ACCOUNT

This represents reclassification of a merger deficit of RM4,550,598 arising from consolidation of certain subsidiary companies using merger accounting from the Group share premium to the Group retained profits.

23. NOTES TO CASH FLOW STATEMENTS

(a) Purchases of property, plant and equipment

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

(b) Cash and cash equivalents

Cash and cash equivalents at 31 December comprise the following:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Deposits with licensed banks	6,000,000	3,327,864	5,850,000	1,650,000
Cash and bank balances	5,472,355	8,812,751	261,669	3,408,148
Bank overdrafts	(1,353,988)	(1,816,064)	-	-
	10,118,367	10,324,551	6,111,669	5,058,148

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Notes to the financial statements - 31 december 2003 (continued)

24. SEGMENTAL INFORMATION

The Group is organised into two main business segments:

- (i) Manufacturing of pharmaceutical products;
- (ii) Retailing and distribution of pharmaceutical products.

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

The analysis of group operations is as follows:-

- (i) Business segments

	Manufacturing		Retailing and distribution		Investment holding		Consolidated	
	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM
Revenue								
Total revenue	38,364,944	38,252,153	147,111,872	133,402,432	7,934,467	23,285,806	193,411,283	194,940,391
Inter-segment revenue	(14,355,844)	(14,155,257)	-	-	(7,934,467)	(23,285,806)	(22,290,311)	(37,441,063)
External revenue	24,009,100	24,096,896	147,111,872	133,402,432	-	-	171,120,972	157,499,328
Results								
Segment results (external)	11,379,546	9,849,598	5,213,283	4,666,327	(1,041,675)	(833,597)	15,551,154	13,682,328
Unallocated corporate expenses							(552,664)	(433,451)
Profit from operations							14,998,490	13,248,877
Finance costs, net							(110,740)	(105,416)
Tax							(4,223,124)	(3,859,113)
Net profit for the financial year							10,664,626	9,284,348

Notes to the financial statements - 31 december 2003 (continued)

	Manufacturing		Retailing and distribution		Investment holding		Consolidated	
	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM
ASSETS AND LIABILITIES								
Segment assets	36,823,365	38,303,025	72,111,597	63,764,664	6,331,835	5,265,647	115,266,797	107,333,336
Unallocated assets	-	-	-	-	-	-	235,845	128,828
Total assets							115,502,642	107,462,164
Segment liabilities	(3,722,527)	(3,983,896)	(21,644,906)	(22,517,530)	(341,126)	(394,687)	(25,708,559)	(26,896,113)
Unallocated liabilities	-	-	-	-	-	-	(5,703,955)	(5,406,009)
Total liabilities							(31,412,514)	(32,302,122)
OTHER INFORMATION								
Capital expenditure	1,245,957	1,268,875	7,139,403	1,497,999	2,280	11,523	8,387,640	2,778,397
Depreciation and amortisation	2,140,801	1,969,103	1,254,024	1,174,512	12,084	15,998	3,406,909	3,159,613
Non cash expenses other than depreciation and amortisation	257,994	22,057	1,030,498	221,614	-	-	1,288,492	243,671

(ii) Geographical segments

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

	Malaysia		Singapore		Consolidated	
	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM
Revenue						
Segment assets	161,957,782	147,906,493	9,163,190	9,592,835	171,120,972	157,499,328
Capital expenditure	113,242,121	105,300,433	2,024,676	2,032,903	115,266,797	107,333,336
	8,382,249	2,767,257	5,391	11,140	8,387,640	2,778,397

Notes to the financial statements - 31 december 2003 (continued)

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	GROUP	
	2003 RM	2002 RM
With Grafton Pharmasia Pte Ltd.		
-sale of goods	5,806,034	5,738,770
-purchase of goods	2,344,203	2,364,147
With Grafton Laboratories Pte Ltd		
-royalties payable	230,139	219,195

Grafton Pharmasia Pte Ltd and Grafton Laboratories Pte Ltd are both subsidiary companies of United Medicorp Pte Ltd, which holds 30% (2002: 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.

26. 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	
	2003 RM	2002 RM	2003 RM	2002 RM
Contracted for	9,900,465	5,068,998	-	-
Not contracted for	4,616,480	9,003,354	300,000	18,000
	14,516,945	14,072,352	300,000	18,000

(b) Operating lease commitments

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

	GROUP	
	2003 RM	2002 RM
No later than one year	2,532,340	1,379,325
Later than one year and no later than five years	2,119,342	961,976
	4,651,682	2,341,301

27. CONTINGENT LIABILITY

	COMPANY	
	2003 RM	2002 RM
Corporate guarantees in respect of credit facilities utilised by subsidiary companies	4,038,239	2,735,152

28. SIGNIFICANT EVENTS DURING THE YEAR

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

- (a) Proposed bonus issue of up to 23,870,000 new ordinary shares of RM1 each in the Company credited as fully paid on the basis of one (1) bonus share for every two (2) existing ordinary shares of RM1 each in the Company by way of capitalisation from the share premium and retained profits of the Company.

22,015,000 new ordinary shares of RM1 each were issued on 1 August 2003.

- (b) Proposed transfer of the listing of and quotation for the entire enlarged issued and paid up share capital of the Company from the Second Board to the Main Board of the Malaysia Securities Exchange Berhad.

The above was effected on 15 August 2003.

29. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

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

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

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

(b) Foreign currency exchange risk

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

Notes to the financial statement - 31 december 2003 (continued)

(b) Foreign currency exchange risk (continued)

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

The Group does not hedge transactions denominated in US Dollar since the pegging of the US Dollar to the Ringgit Malaysia.

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

At 31 December 2003:

Functional currency of Group companies

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

At 31 December 2002:

Functional currency of Group companies

	Euro Dollar RM	Singapore Dollar RM	Total RM
Ringgit Malaysia			
Trade receivables	-	111,219	111,219
Trade payables	12,117	440,711	452,828
	12,117	551,930	564,047

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

At 31 December 2003

Currency	Maturities within one year RM
Singapore Dollar	1,247,976

At 31 December 2002

Singapore Dollar	1,495,783
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29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

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

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

(d) Credit Risk

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

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

(e) Liquidity and cash flow risk

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

(f) Fair Value

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

Financial instruments recognised in the financial statements:

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

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

- (ii) Term loan

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

Financial instruments not recognised in the financial statements:

- (i) Forward Foreign Exchange Contract

Notes to the financial statements - 31 december 2003 (continued)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair Value (continued)

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

(ii) Contingent liabilities

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

30. COMPARATIVE FIGURES

Other than disclosed in Note 21 to the financial statements, the following balance sheet comparative figures have been reclassified to conform with current year's presentation:

	As previously stated RM	Adjustments RM	As restated RM
Trade payables	21,528,697	(855,540)	20,673,157
Other payables	-	350,856	350,856
Bills payable	-	504,684	504,684
Bank overdrafts	1,018,484	797,580	1,816,064
Trade financing facilities	1,169,000	(797,580)	371,420
Trade receivables	33,607,081	35,192	33,642,273
Cash and bank balances	8,847,943	(35,192)	8,812,751

The comparative figures have been audited by a firm of public accountants other than Ernst & Young.

List of properties as at 31 december 2003

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	REGISTERED OWNER & ADDRESS	LAND AREA sq.metres	BUILT-UP AREA sq.metres	EXISTING USE/ DESCRIPTION	TENURE/ (EXPIRY DATE) AGE OF BUILDING	NET BOOK VALUE AS AT 31/12/03	DATE OF LAST REVALUATION/ 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 / - 19 years old	846,400	Revalued - Jan 2000
2	Unit Nos. B5 & B6 Level 1, Block B, Pusat Bandar Damansara, Jalan Damanela, Kuala Lumpur	-	250	Pharmacy outlet / 2 units of intermediate shoplots	Freehold / - 19 years old	1,288,000	Revalued - Jan 2000
3	Lot No. 99, Town Area XXXVIII (38), District of Melaka Tengah, Melaka	156	272	Vacant / 2- storey shophouse	Leasehold / (exp. 2075) 29 years old	177,200	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 / - 39 years old	437,200	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) 13 years old	701,819	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) 12 years old	1,332,523	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) 3 years old	200,390	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) 3 years old	331,307	Acquired - Aug 2001
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) 11 years old	12,644,616	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)	1,351,129	Acquired - June 2000
APEX PHARMACY MARKETING SDN BHD							
11	H.S. (D) 4636, No. Lot 4892 Mukim Damansara, Daerah Petaling, Negeri Selangor	10,116	929	Industrial Land / Proposed Corporate Office and Distribution Centre	Freehold	5,271,127	Acquired - Jan 2003
		40,384	12,094			24,581,711	

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

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Analysis of shareholdings

Authorised Share Capital	:	RM100,000,000
Issued and Fully Paid-up Capital	:	RM66,857,200
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	1 Vote per Ordinary Share

ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2004

CATEGORY	NO. OF HOLDERS		NO. OF SHARES		PERCENTAGE (%)	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1 - 99	9	0	450	-	0.00	-
100 - 1000	222	1	196,550	100	0.29	0.00
1,001 - 10,000	1,782	23	4,954,450	76,600	7.41	0.11
10,001 - 100,000	174	12	3,740,400	211,000	5.60	0.32
100,001 - 3,342,859	30	3	19,697,102	1,100,000	29.46	1.65
3,342,860 and above	1	1	26,063,406	10,817,142	38.98	16.18
Total	2,218	40	54,652,358	12,204,842	81.74	18.26

TOP 30 SHAREHOLDERS AS AT 18 MARCH 2004

NAMES OF SHAREHOLDERS		NO. OF SHARES HELD	PERCENTAGE %
1	Apex Pharmacy Holdings Sdn Bhd	26,063,406	38.98
2	Washington H. Soul Pattinson and Company Ltd	10,817,142	16.18
3	Bank Pembangunan Dan Infrastruktur Malaysia Berhad	2,022,501	3.03
4	Bank Pembangunan Dan Infrastruktur Malaysia Berhad	1,969,999	2.95
5	Bank Pembangunan Dan Infrastruktur Malaysia Berhad	1,969,999	2.95
6	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	1,947,300	2.91
7	Employees Provident Fund Board	1,765,250	2.64
8	Bank Pembangunan Dan Infrastruktur Malaysia Berhad	1,488,156	2.23
9	Bank Pembangunan Dan Infrastruktur Malaysia Berhad	1,372,500	2.05
10	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Didik	1,278,000	1.91

Analysis of shareholdings (continued)

Apex
Healthcare
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	NAMES OF SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE %
11	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	1,226,017	1.83
12	Washington H. Soul Pattinson and Company Limited	645,000	0.97
13	Md Ali Bin Md Dewal	643,108	0.96
14	Rosina Binti Aladad Khan	450,000	0.67
15	Bumiputra-Commerce Trustee Berhad Amanah Saham Darul Iman	435,000	0.65
16	Lim Teh Realty Sdn Berhad	348,500	0.52
17	Tan Yan Meng Warren	337,500	0.50
18	Kee Kirk Chin	315,000	0.47
19	Tengku Puan Nor Sa'adah Binti Al-Marhum Sultan Sulaiman Shah	273,972	0.41
20	Tan Yan Meng Warren	225,000	0.34
21	Ahmad Kamal Bin Md. Alif	210,000	0.31
22	Lai Man Sik	182,000	0.27
23	Ang Kai Chan	170,500	0.26
24	Teoh Choon Neo @ Ivy Teoh Choon Neo	160,000	0.24
25	Fam Keat Hong	150,300	0.23
26	Ki Tak Sang @ Kee Tak Sang	150,000	0.22
27	Chan Leong Cheng	150,000	0.22
28	HDM Nominees (Asing) Sdn Bhd DBS Vickers Secs (S) Pte Ltd for Cheah Hwei-Fe'n	140,000	0.21
29	Intiteguh Sdn Bhd	121,500	0.18
30	Chia Ting Poh @ Cheah Ting Poh	118,500	0.18
		57,146,150	85.47

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Analysis of shareholdings (continued)

SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2004

(per Register of Substantial Shareholders)

SHAREHOLDERS	NO. OF ORDINARY SHARES	DIRECT %	INDIRECT	
			NO. OF ORDINARY SHARES	%
Apex Pharmacy Holdings Sdn Bhd	26,108,406	39.05	-	-
Washington H. Soul Pattinson and Company Limited	11,462,142	17.14	-	-
Bank Pembangunan dan Infrastruktur Malaysia Berhad	8,823,155	13.20	-	-
Xepa Holdings Sdn Bhd	37,500	0.06	26,108,406 ⁽¹⁾	39.05
United Medicorp Pte Ltd	-	-	26,108,406 ⁽¹⁾	39.05
Apex Holdings (Pte) Ltd	-	-	26,145,906 ⁽¹⁾	39.11
Xepa Holdings Pte Ltd	-	-	26,145,906 ⁽¹⁾	39.11
Kee Tah Peng @ Hee Teck Peng	15,000	0.02	26,145,906 ⁽¹⁾	39.11
Dr Kee Kirk Chin	315,000	0.47	26,145,906 ⁽¹⁾	39.11
Yang Liew Fang	-	-	26,145,906 ⁽¹⁾	39.11
Kee Kirk Chuen	30,000	0.04	26,145,906 ⁽¹⁾	39.11
Dr Kee Loo	-	-	26,145,906 ⁽¹⁾	39.11
United Engineers Limited	-	-	26,108,406 ⁽¹⁾	39.05

Notes:

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

Analysis of shareholdings (continued)

Apex
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DIRECTORS' SHAREHOLDINGS AS AT 18 MARCH 2004

(per Register of Directors' Shareholdings)

NAME OF DIRECTORS	DIRECT		INDIRECT	
	No. of ordinary shares	%	No. of ordinary shares	%
Kee Tah Peng @Hee Teck Peng	15,000	0.02	26,145,906 (1)	39.11
Dr Kee Kirk Chin	315,000	0.47	26,145,906 (1)	39.11
Ki Tak Sang @Kee Tak Sang	200,000	0.30	-	-
Jackson Chevalier Yap-Kit-Siong	15,000 (2)	0.02	-	-
Robert Dobson Millner	15,000	0.02	-	-
Mohd Ramli Bin Samian	15,000 (2)	0.02	-	-
Leong Khai Cheong	15,000	0.02	-	-
Md Ali Bin Md Dewal	643,108	0.96	-	-
Dr Ahmad Kamal Bin Md Alif	210,000	0.31	-	-
Peter Raymond Robinson (alternate to Robert Dobson Millner)	15,000	0.02	-	-

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Notes:

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

(2) Held through nominee company.

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

Proxy Form

Apex
Healthcare
Berhad

NO. OF SHARES HELD	
CDS ACCOUNT NO.	

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

of _____
(FULL ADDRESS)

being a member/members of APEX HEALTHCARE BERHAD hereby appoint

_____ of _____ or

failing him/her, _____ of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fifth Annual General Meeting of the Company to be held at Bunga Teratai Room, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Wednesday 19 May 2004 at 10.30 a.m. and at any adjournment thereof on the following resolutions referred to in the Notice of Annual General Meeting.

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

RESOLUTIONS		*FOR	*AGAINST
1.	To receive the Statutory Financial Statements for the financial year ended 31 December 2003 together with the Directors' and Auditors' Reports thereon.		
2.	To declare a final tax exempt dividend of 5 sen per share for the financial year ended 31 December 2003		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2003		
4.	To re-elect Leong Khai Cheong retiring in accordance with Article 89 of the Company's Articles of Association		
5.	To re-elect Dr Kee Kirk Chin 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-appoint Kee Tah Peng @ Hee Teck Peng retiring in accordance with Section 129 of the Companies Act, 1965		
8.	To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS			
9.	To authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
10.	To renew the mandate given to the Company to allow recurrent 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 _____ 2004

Signature of Member(s) or Common Seal

Notes:

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

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The Company Secretaries

Apex Healthcare Berhad (473108-T)

134/2, Kompleks Perniagaan Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka

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<div> <div>Directory of Distribution Depots</div> <div>Apex Pharmacy Marketing Sdn Bhd</div> </div>				<div> <div>Directory of Retail Pharmacies</div> <div>Apex Pharmacy Sdn Bhd</div> </div>		
BRANCH ADDRESS		TELEPHONE NO.	FAX NO.	CONTACT PERSON		
1.	BANDAR SUNWAY 24-30, Jalan PJS 11/5 Bandar Sunway, 46150 Petaling Jaya, Selangor D.E.	03-5636 2929 (General) 03-5636 2892/3/4 (Sales)	03-5633 4795 (Sales) 03-5635 3033 (Marketing) 03-5632 1622 (Headquarters)	Mr Tan Hing Tai – Executive Director Ms Lee Siew Bee – Finance & Admin Manager Mr Lim Ein Heng – Asst General Manager Mr Then Tat Ying – Marketing Manager Ms Tan Pei Leng – Wholesale Manager		
2.	IPOH 2-4, Medan Bendahara 2 Medan Bendahara 31650 Ipoh, Perak	05-254 5833 05-253 6307	05-253 2212	Mr Choong Foo Peng – Senior Branch Manager		
3.	MALACCA 134/1, Kompleks Perniagaan Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka	06-282 2168 06-282 8695	06-283 7704	Mr Tan Teck Beng – Senior Branch Manager		
4.	SEREMBAN No. 18, Jalan Dato Abdul Rahman, 70000 Seremban	06-764 2810	06-767 0327	Mr Tan Teck Beng – Senior Branch Manager		
5.	JOHOR BAHRU 21, Jalan Permas 9/12, Bandar Baru Permas Jaya, 81750 Masai Johor Bahru, Johor	07-386 2440/2449	07-386 2771	Ms Yong May Ken – Branch Manager		
6.	KOTA BHARU PT 533/A & 534/A Taman Murni Jalan Pengkalan Chepa 16100 Kota Bharu, Kelantan	09-774 3666	09-774 1118	Mr Lau Ah Tee – Asst. General Manager		
7.	PENANG 60, Jalan Mesjid Negeri 11600 Pulau Pinang	04-659 6520/6522	04-659 6521	Ms Ang Girl Bee – Branch Manager		
8.	KOTA KINABALU 2, Jalan Pantai 88000 Kota Kinabalu, Sabah	088-255 100	088-210 222	Ms Chan Jit Ngo – Branch Manager		
9.	KUCHING AH 106-107 Batu Kawah New Township Jalan Batu Kawa 93250 Kuching, Sarawak	082-452 119/459 398	082-578 418	Ms Hui Lai Fong – Branch Manager		

ADDRESS		TELEPHONE NO	FAX NO
KLANG VALLEY			
1.	Lot G03, Ground Floor, Ampang Point Shopping Centre, Jalan Mamanda 3, 68000 Ampang, Selangor Darul Ehsan	03-4257 4691	03-4257 4691
2.	B6, Block B, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur	03-2095 7098	03-2095 7098
3.	115 Jalan Mega Mendung, Bandar Complex, Overseas Union Garden, Jalan Klang Lama, 58200 Kuala Lumpur	03-7983 0550	03-7983 0550
4.	Tesco Puchong, Lot No. 10 Ground Floor, 148-149 Jalan Bandar 3, Pusat Bandar Puchong, 47100 Puchong, Selangor Darul Ehsan.	03-8076 5670	03-8076 5671
5.	Tesco Mutiara Damansara, Lot No. 18, Ground Floor, No. 8 Jln PJU 7/4, Mutiara Damansara, 47800 Petaling Jaya, Selangor	03-7725 5717	03-7725 0272
6.	Tesco Klang, Lot No. 18, Ground Floor, No. 3 Jalan Batu Nilam 6/KS6, Bandar Bukit Tinggi, 41200 Klang, Selangor	03-3323 5841	03-3323 5861
7.	Lot F/L1, 3.0 First World Hotel Lobby, 69000 Genting Highlands, Pahang	03-6436 1180	03- 6436 1181
8.	5, Jln. SS2 / 67 47300 Petaling Jaya, Selangor	03-7874 7845	03-7874 9042
PERAK			
9.	Lot 11-12, Yik Foong Shopping Complex, Jalan Laxamana, 30300 Ipoh, Perak	05-253 8655	05-241 1818
MELAKA			
10.	83-A Jalan Munshi Abdullah, 75100 Melaka	06-282 5296	06-282 5296
NEGERI SEMBILAN			
11.	109, Ground Floor, Jln. Dato Bandar Tunggal, 70000 Seremban, Negeri Sembilan	06-763 8235	06-767 8926
JOHOR			
12.	24 Jalan Tengku Ahmad, 85000 Segamat, Johor	07-931 9825	07-931 9825
13.	52 & 53 Jalan Jenang, 83000 Batu Pahat, Johor	07-434 1907	07-434 1907
14.	Ground Floor, Pasaraya Hiang Kang, Kompleks Lian Hoe, Jalan Sutera, Taman Sentosa, 80150 Johor	07-335 2330	07-3352 330
15.	Lot 17-19 Ground Floor, Kompleks TAR, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor	07-222 4860	07-222 4860
16.	Lot MB-07, Basement 1, City Square, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor	07-221 6287	07-221 4958
17.	Lot 28, JUSCO Permas Jaya, Jln. Permas Utara, Bandar Baru Permas Jaya, 81750 Masai, Johor	07-388 9895	07-388 9896
KELANTAN			
18.	789J, Jalan Gajah Mati, 15000 Kota Bharu, Kelantan	09-748 1118/748 2260	09-747 1494
KOTA KINABALU			
19.	2, Jalan Pantai, 88000 Kota Kinabalu, Sabah	088-255 100	088-210 222
SARAWAK			
21.	R122, 1st Floor, Sarawak Plaza, Jln Tunku Abdul Rahman, 93100 Kuching, Sarawak	082-413 605	082-413 605

22.	No. 15 Ground Floor, Electra House, 93000 Kuching, Sarawak	082-246 011	082-246 011
23.	Lot No. 19 Upper Ground Floor, Wisma Saberka, Jln Tun Abang Hj Openg, 93000 Kuching, Sarawak	082-411 025	082-411 035