

[www.pharmaniaga.com](http://www.pharmaniaga.com)

**Pharmaniaga Berhad** (467709-M)  
7, Lorong Keluli 1B  
Kawasan Perindustrian Bukit Raja Selatan  
Seksyen 7, 40000 Shah Alam  
Selangor Darul Ehsan, Malaysia  
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*aspirations*

# Contents

<b>2</b>	Vision & Mission	
<b>3</b>	2005 Highlights	
<b>3</b>	Enhancing Value To Shareholders	
<b>4</b>	Group Quarterly Performance	
<b>5</b>	Group 2005 Segmental Report	
<b>6</b>	Corporate Structure	
<b>7</b>	Operational Structure	
<b>8</b>	Financial Calendar	
<b>9</b>	Group Financial Performance Highlights	
<b>10</b>	Group 5-Year Financial Summary	
<b>12</b>	Share Performance	
<b>13</b>	Statement of Value Added	
<b>14</b>	Employees & Productivity	
<b>15</b>	Corporate Information	
<b>16</b>	Board of Directors	
<b>18</b>	Profile of Directors	
<b>26</b>	Chairman's Statement	
<b>34</b>	Senior Management	
<b>36</b>	Profile of Senior Management	
<b>42</b>	Manufacturing	
<b>46</b>	Marketing & Distribution	
<b>50</b>	Overseas Activities	
<b>53</b>	Research & Development	
<b>56</b>	Medical Planning & Equipping	
<b>58</b>	Information Technology Solutions	
<b>62</b>	Environment, Health & Safety	
<b>66</b>	People Development	
<b>70</b>	Community Relations	
<b>72</b>	Sports & Recreation	
<b>77</b>	Group Achievements	
<b>79</b>	Group Corporate Calendar	
<b>83</b>	Group Corporate Directory	
<b>85</b>	Statement on Corporate Governance	
<b>98</b>	Statement on Internal Controls	
<b>100</b>	Statement of Directors' Responsibilities	
<b>101</b>	Report of the Audit Committee	
<b>105</b>	Financial Statements	
<b>163</b>	Properties of the Group	
<b>166</b>	Analysis Of Shareholdings	
<b>169</b>	Notice of Annual General Meeting	
<b>173</b>	Statement Accompanying Notice of Annual General Meeting Proxy Form	

□□□□□□ COVER RATIONALE



## *aspirations*

With a strong desire to achieve, we constantly seek opportunities for geographical and strategic expansions ensuring the emergence of a more dynamic group in the highly-competitive pharmaceuticals and healthcare industries. Our sights are set to be the nation's champion in the regional and global arena. Our operations are geared to make our aspirations a reality.

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## Vision

Pharmaniaga to be the ***preferred brand*** in healthcare, ***in the markets*** we choose to serve.

## Mission

To deliver ***maximum value*** to our customers through ***superior quality products*** and ***services*** by ***committed, professional*** and ***caring employees***.

## 8<sup>th</sup> Annual General Meeting

### Venue:

Ballroom  
Mezzanine Floor  
Hotel Equatorial  
Jalan Sultan Ismail  
50250 Kuala Lumpur

### Date:

Thursday  
18 May 2006

### Time:

3.00 p.m.

## 1 Turnover

- RM936.4 million

## 2 Profit Before Taxation

- RM42.1 million

## 3 Earnings Per Share

- 26.0 sen

## 4 Dividend

- Tax exempt interim – 3.5 sen per share
- Tax exempt final – 11.5 sen per share

## 5 Products

- 7 new products registered
- 4 new products launched
- 3 new bio-equivalent products approved
- 50 products registered in international markets

## 6 Achievements

- Triple certification for ISO 9001, OHSAS 18001 and ISO 14001 for Pharmaniaga Logistics Sdn Bhd
- ISO/IEC 17025 accreditation for Quality Control and Research and Development Laboratories
- Selected as PIC/S Malaysian audit site for production of sterile pharmaceuticals preparation facility
- Pharmaniaga was named **Asia's Best Managed Pharmaceutical Company** in the pharmaceutical sector in Euromoney's 10th Asian Company ranking that is based on a survey of market analysts at leading banks and research institutes in Asia

## Enhancing Value to Shareholders

		2005	2004	2003	2002	2001
Turnover	RM'000	<b>936,431</b>	799,991	632,604	585,237	543,496
Net profit for the year	RM'000	<b>26,902</b>	50,835	40,756	37,341	30,804
EBITDA margin	%	<b>7.8</b>	13.2	13.7	13.0	12.5
Dividend rate (tax exempt)						
– Interim	%	<b>3.5</b>	4.5	3.5	2.5	–
– Final		<b>11.5</b>	10.5	8.5	6.0	7.5
Growth in turnover	%	<b>17.1</b>	26.5	8.1	7.7	27.1
Growth in net profit	%	<b>(47.1)</b>	24.7	9.1	21.2	24.2
Dividend payout	RM'000	<b>16,043</b>	15,312	12,097	7,250	3,750
Year end share price	RM	<b>4.96</b>	5.80	5.30	4.18	4.00

# Group Quarterly Performance

FOR THE YEAR ENDED 31 DECEMBER 2005

	1st	2nd	3rd	4th	Total
<b>BY INDUSTRY SEGMENT</b>					
<b>Turnover</b>	<b>RM'000</b>				
Pharmaceutical manufacturing	23,143	28,271	33,055	30,273	114,742
Pharmaceutical trading, Marketing, Distribution and e-services	223,941	229,139	227,191	246,352	926,623
Medical products and services	7,113	17,987	416	4,626	30,142
Other operations	—	10,740	—	3,743	14,483
<b>Sub-total</b>	<b>254,197</b>	<b>286,137</b>	<b>260,662</b>	<b>284,994</b>	<b>1,085,990</b>
Less: Intersegment sales	(26,325)	(43,353)	(39,096)	(40,785)	(149,559)
<b>Total</b>	<b>227,872</b>	<b>242,784</b>	<b>221,566</b>	<b>244,209</b>	<b>936,431</b>

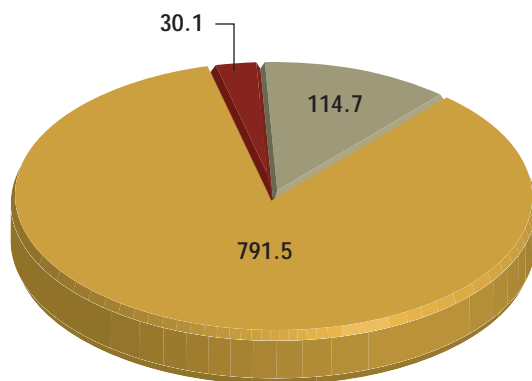
<b>Profit Before Tax</b>	<b>RM'000</b>				
Pharmaceutical manufacturing	4,809	5,866	6,639	490	17,804
Pharmaceutical trading, Marketing, Distribution and e-services	12,366	5,058	6,996	3,150	27,570
Medical products and services	708	7,128	(1,336)	1,168	7,668
Other operations	(916)	(1,303)	(1,578)	3,559	(238)
<b>Sub-total</b>	<b>16,967</b>	<b>16,749</b>	<b>10,721</b>	<b>8,367</b>	<b>52,804</b>
Less: Intersegment profits	1,282	(2,437)	(1,867)	(7,710)	(10,732)
<b>Total</b>	<b>18,249</b>	<b>14,312</b>	<b>8,854</b>	<b>657</b>	<b>42,072</b>



# Group 2005 Segmental Report

## TURNOVER

RM million



- Medical Products and Services  
RM30.1 million  
3.2%
- Pharmaceutical Manufacturing  
RM114.7 million  
12.3%
- Pharmaceutical Trading, Marketing, Distribution and e-services  
RM791.5 million  
84.5%

Total: RM936.4 million

5

Annual Report  
2005

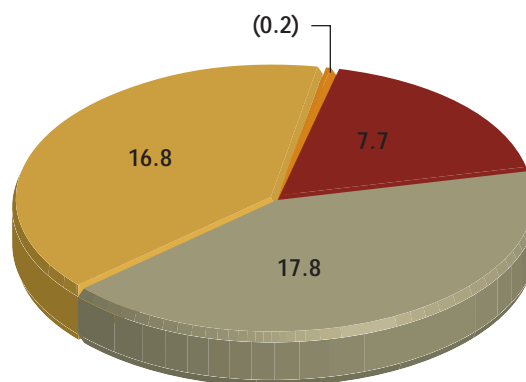
PHARMANIAGA BERHAD

- Medical Products and Services  
RM7.7 million  
18.2%
- Pharmaceutical Manufacturing  
RM17.8 million  
42.3%
- Pharmaceutical Trading, Marketing, Distribution and e-services  
RM16.8 million  
40.0%
- Other Operations  
(RM0.2 million)  
(0.5%)

Total: RM42.1 million

## PROFIT BEFORE TAXATION

RM million

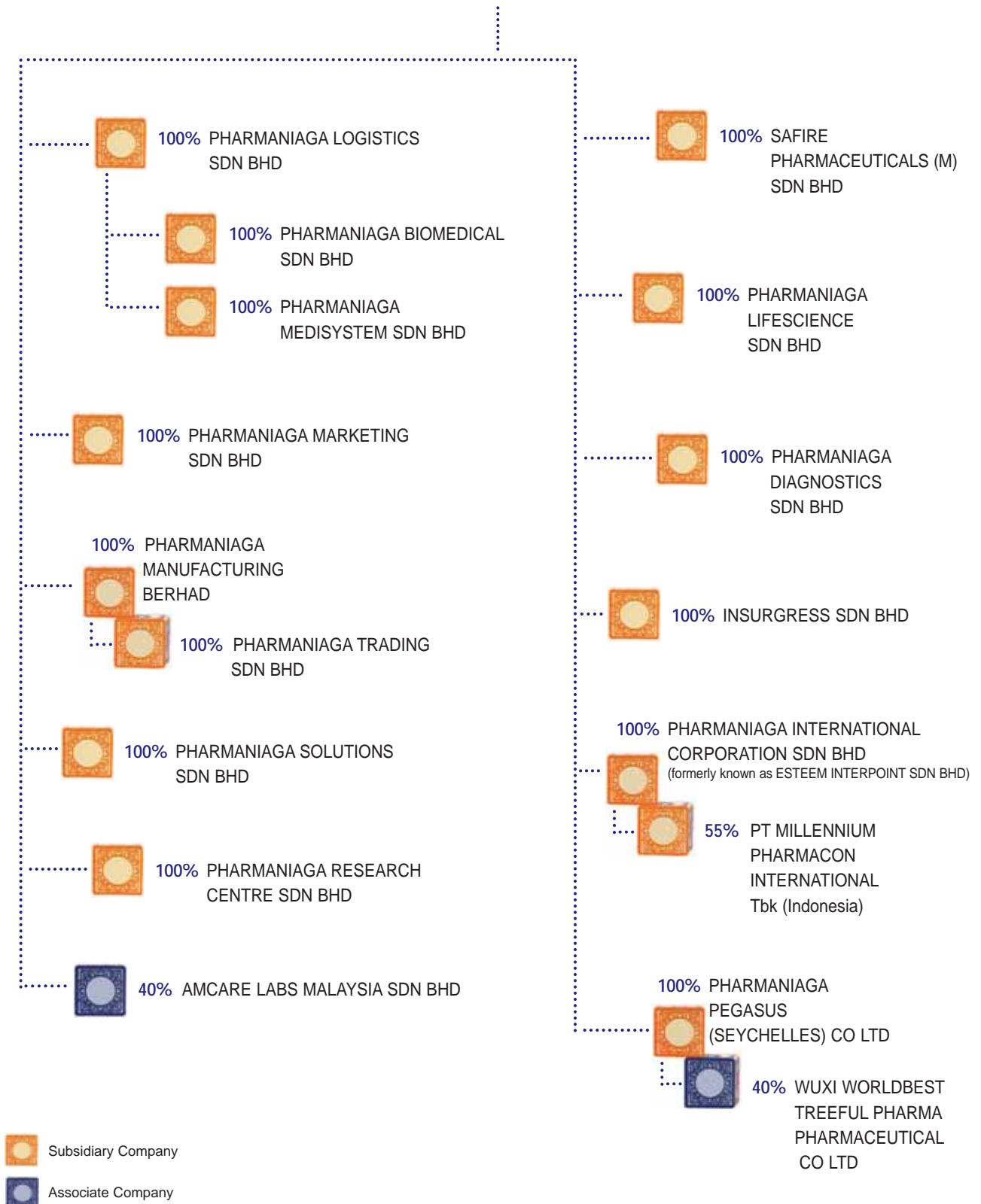


# pharmaniaga

6

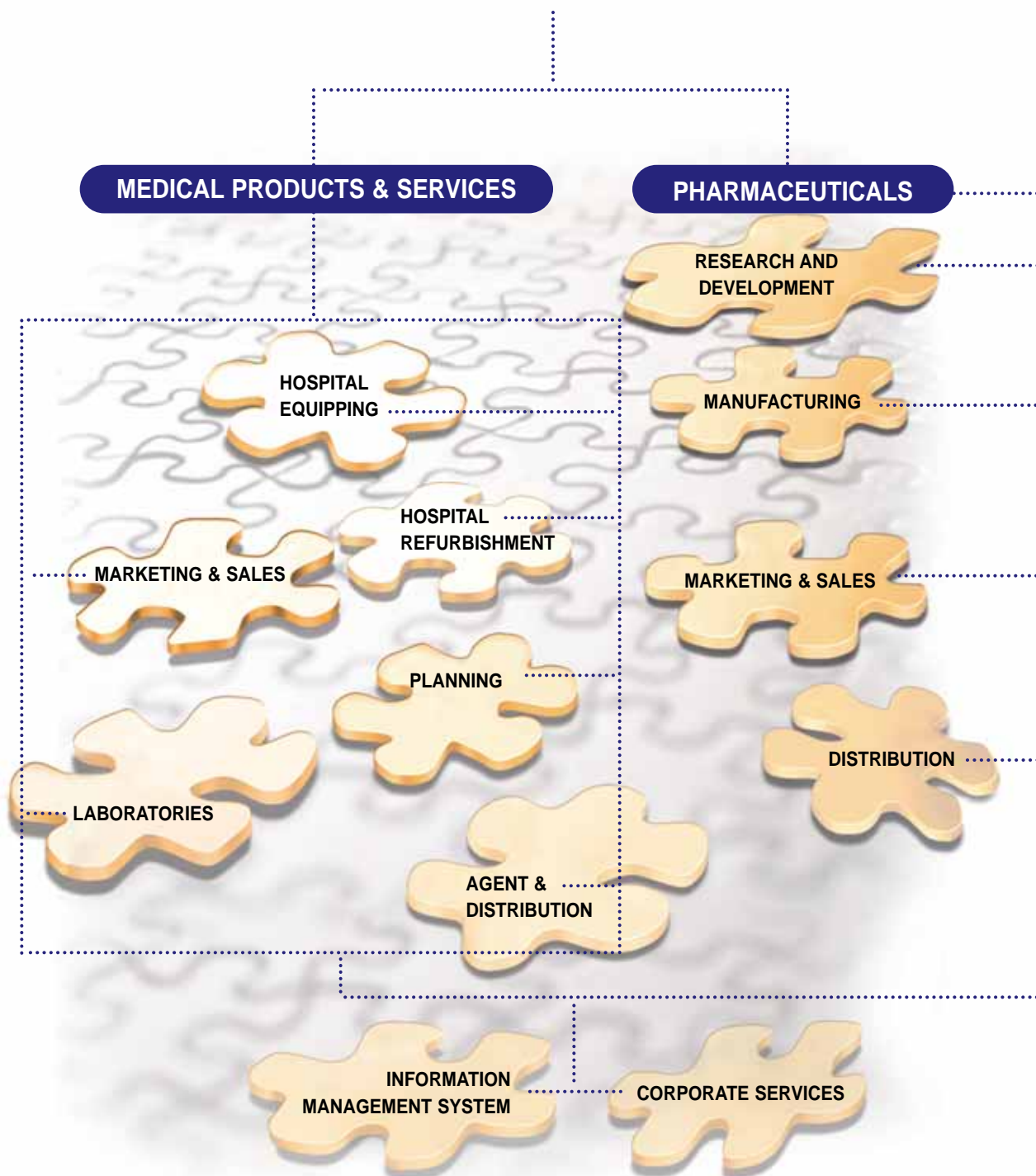
Annual Report  
2005

PHARMANIAGA BERHAD





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## FINANCIAL YEAR END

31 DECEMBER 2005

### ANNOUNCEMENT OF RESULTS

First quarter	18 May 2005
Second quarter	18 August 2005
Third quarter	22 November 2005
Fourth quarter	22 February 2006

### 8th Annual General Meeting

18 May 2006

### Dividend

#### Interim

Recommendation	28 November 2005
Record date	16 December 2005
Payment date	28 December 2005

#### Final

Recommendation	22 February 2006
Record date	6 June 2006
Payment date	28 June 2006

### Corporate Exercise

Signed the Share Transfer and Capital Increase Agreement with Shanghai Worldbest Treeful Pharmaceutical (Group) Co Ltd and Shandong Changfu Jeijing Pharmaceutical Co Ltd	8 September 2005
Signed Equity Joint Venture Contract with Shanghai Worldbest Treeful Pharmaceutical (Group) Co Ltd	25 October 2005
Pharmaniaga Pegasus (Seychelles) Co Ltd, a wholly owned subsidiary of Pharmaniaga Berhad, will subscribe 40% of the equity in Wuxi Worldbest Treeful Pharma Pharmaceutical Co Ltd for a total cash consideration of Chinese Renminbi 46,222,606 (approximately RM21,674,000). To date, 60% of the purchase consideration has been paid.	31 December 2005

# Group Financial Performance Highlights

FOR THREE YEARS ENDED 31 DECEMBER

	2005	2004	2003	% Change from prior year	
				2005 vs 2004	2004 vs 2003
RM'000					
Turnover	936,431	799,991	632,604	17.1	26.5
Earnings before interest, taxation, depreciation and amortisation	72,868	105,766	86,358	(31.1)	22.5
Profit before taxation	42,072	81,778	66,841	(48.6)	22.3
Profit attributable to shareholders	26,902	50,835	40,756	(47.1)	24.7
Total assets	797,878	630,739	548,608	26.5	15.0
Total borrowings	192,785	38,197	81,382	>100.0	(53.1)
Total shareholders' funds	317,657	284,838	241,683	11.5	17.9
EBITDA margin	7.8%	13.2%	13.7%	(5.4%)	(0.5%)
Pre-tax profit on total assets	5.3%	13.0%	12.2%	(7.7%)	0.8%
Pre-tax profit on average shareholders' funds	13.2%	28.7%	27.7%	(15.5%)	1.0%
Profit attributable to shareholders on shareholders' funds	8.5%	17.8%	16.9%	(9.3%)	0.9%
Total borrowings to average shareholders' funds	60.7%	13.4%	33.7%	47.3%	(20.3%)
Net earnings per share (sen)	25.98	50.18	40.70	(48.2)	23.3
Dividend per share (sen)					
- interim	3.5	4.5	3.5	(22.2)	28.6
- final	11.5	10.5	8.5	9.5	23.5
Dividend cover (times)	1.7	3.4	3.4	(50.0)	–
Net tangible asset per share (sen)	265.0	260.0	221.5	1.9	17.4
Turnover per RM of employment cost (RM)	18.6	17.5	16.2	6.3	8.0

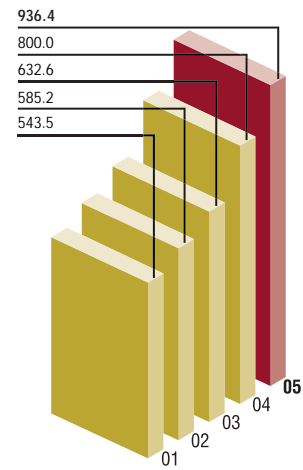
# Group 5-Year Financial Summary

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER

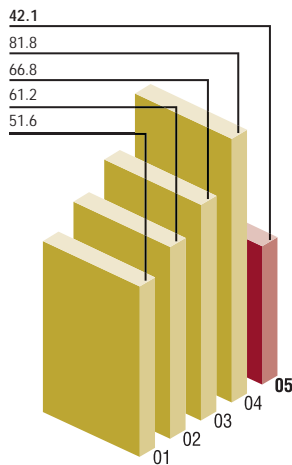
		2005	2004	2003	2002	2001
Turnover	RM'000	936,431	799,991	632,604	585,237	543,496
Earnings before interest, taxation, depreciation and amortisation		72,868	105,766	86,358	75,991	67,792
Profit before taxation		42,072	81,778	66,841	61,170	51,604
Taxation		(12,938)	(18,705)	(19,371)	(17,007)	(14,243)
Profit after taxation		29,134	63,073	47,470	44,163	37,361
Minority interests		(2,232)	(12,238)	(6,714)	(6,822)	(6,557)
Profit attributable to shareholders		26,902	50,835	40,756	37,341	30,804
Dividend		14,483	13,163	9,506	7,250	3,750
Retained profit for the year		12,419	37,672	31,250	36,091	27,054
<b>Per Share Statistics</b>	<b>(sen)</b>					
Net earnings per share		25.98	50.18	40.70	37.30	30.80
Net tangible asset per share		265.0	260.0	221.5	180.2	160.5
Dividend per share		15.0	15.0	12.0	8.5	7.5
<b>Profitability/Return Ratio</b>	<b>%</b>					
EBITDA margin		7.8	13.2	13.7	13.0	12.5
Profit before taxation on turnover		4.5	10.2	10.6	10.5	9.5
Profit after taxation and minority interests on shareholders' funds		8.5	17.8	16.9	18.6	18.3

# Group 5-Year Financial Summary 05

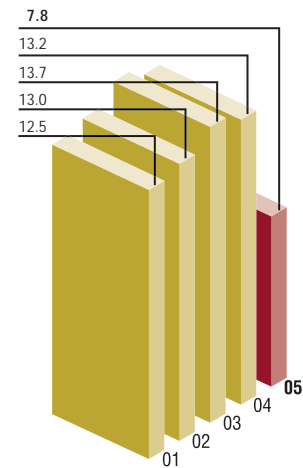
**Turnover**  
(RM million)



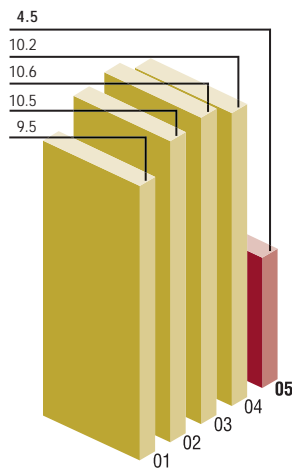
**Pre-tax Profit**  
(RM million)



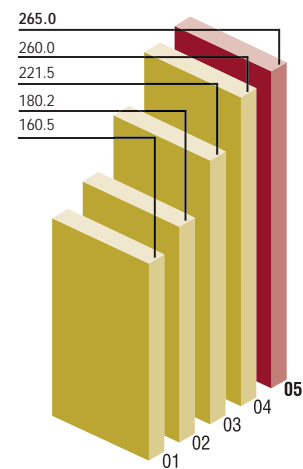
**EBITDA Margin**  
(%)



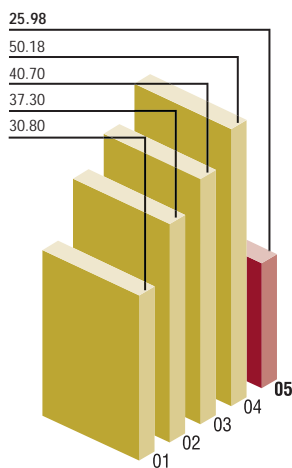
**Pre-tax Profit Margin**  
(%)



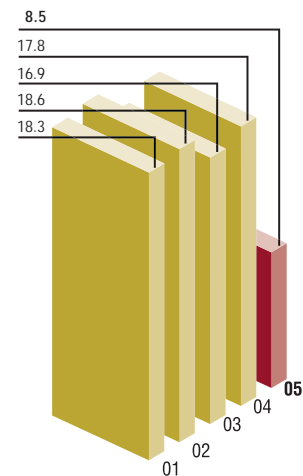
**Net Tangible Asset Per Share**  
(Sen)



**Net Earnings Per Share**  
(Sen)



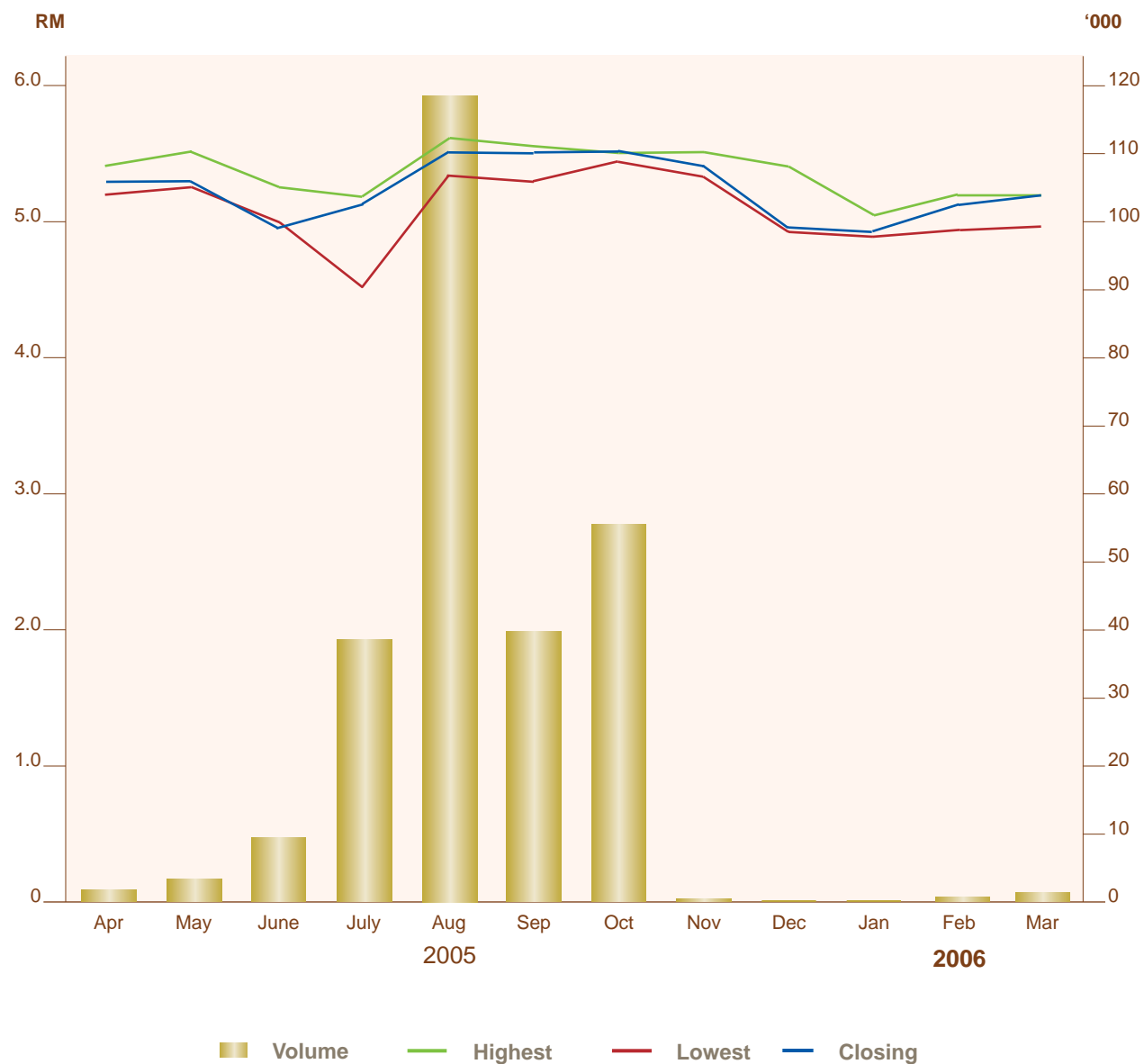
**Returns On Shareholders' Funds**  
(%)



## Share Performance

### SHARE PRICE MOVEMENT FOR PHARMANIAGA For The Period April 2005 – March 2006

Volume('000)	2,226	4,061	9,630	38,103	118,003	40,081	55,209	290	72	170	340	1,747
Highest(RM)	5.40	5.50	5.25	5.20	5.60	5.55	5.50	5.50	5.40	5.05	5.20	5.20
Lowest(RM)	5.20	5.25	4.96	4.52	5.35	5.30	5.45	5.35	4.92	4.90	4.92	4.94
Closing(RM)	5.30	5.30	4.98	5.10	5.50	5.45	5.50	5.40	4.96	4.92	5.10	5.20
	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
					2005						2006	

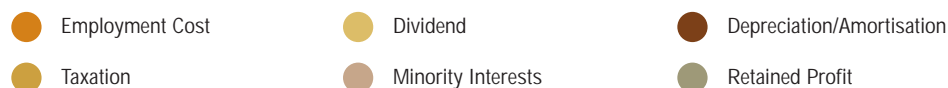
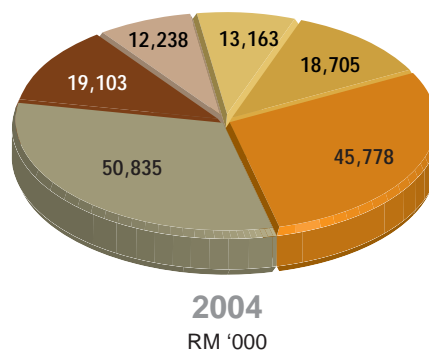
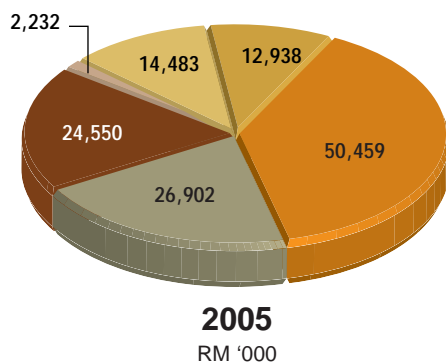




## Statement of Value Added

	2005 RM'000	2004 RM'000
Turnover	936,431	799,991
Purchase of goods and services	(799,207)	(635,635)
Value added by the Group of companies	137,224	164,356
Finance expenses (net)	(5,660)	(1,924)
Share of loss from associate company	—	(2,610)
<b>Value added available for distribution</b>	<b>131,564</b>	<b>159,822</b>

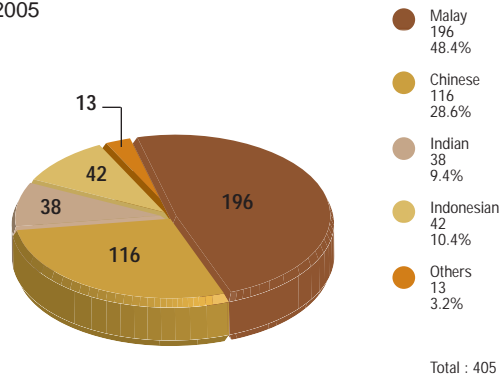
### DISTRIBUTION



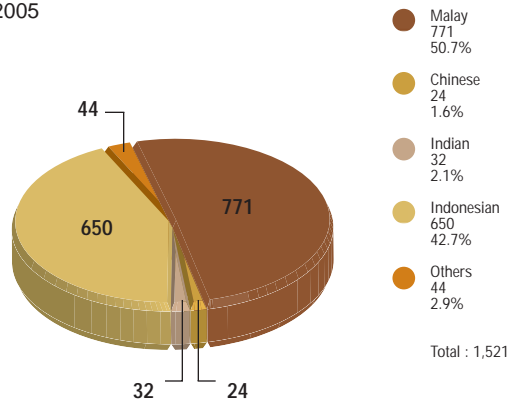
	2005 RM'000	2004 RM'000
To employees - Employment costs	50,459	45,778
To government - Taxation	12,938	18,705
To capital contributors - Dividend	14,483	13,163
- Minority interests	2,232	12,238
Retained for re-investment and future growth - Depreciation/Amortisation	24,550	19,103
- Retained profit	26,902	50,835
	<b>131,564</b>	<b>159,822</b>

# Employees & Productivity

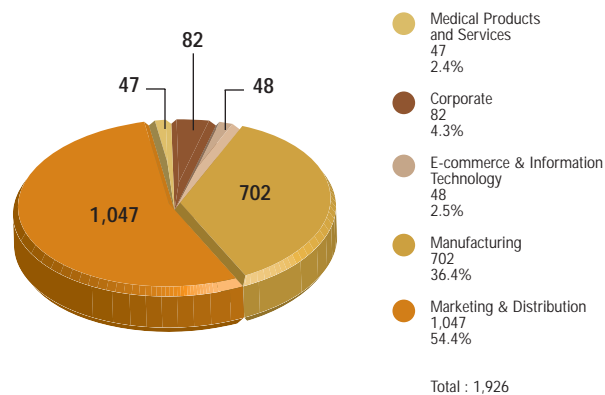
Executive  
2005



Non-Executive  
2005

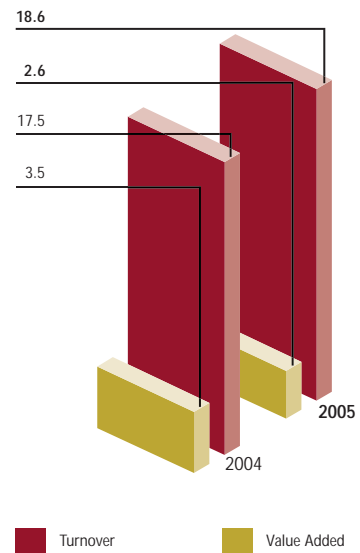


No. of Employees by Business Units  
2005



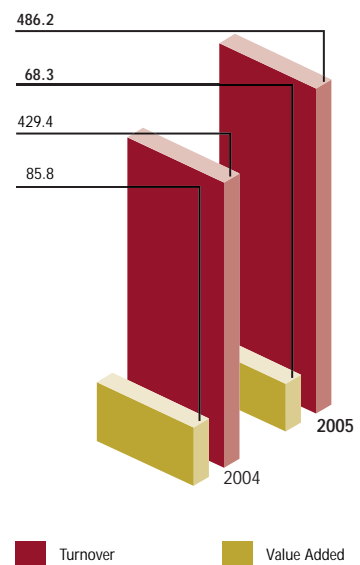
Per Employment Cost

RM



Per Employee

RM'000



## DIRECTORS

**Dato' Mohamed Azman bin Yahya**  
Non-Independent Non-Executive Chairman

**Azhar bin Hussain**  
Managing Director

**Datuk Sulaiman bin Daud**  
Senior Independent Non-Executive Director

**Dato' Ahmad Pardas Senin**  
Non-Independent Non-Executive Director

**Dato' Raja Nong Chik bin Raja Zainal Abidin**  
Non-Independent Non-Executive Director

**Ismael Fariz bin Ali**  
Independent Non-Executive Director

**Dato' Wira Prof. Ir. Dr. Mohammad Noor bin Salleh**  
Independent Non-Executive Director

**Oh Kim Sun**  
Non-Independent Non-Executive Director

## AUDIT COMMITTEE

Ismael Fariz bin Ali (Chairman)  
Datuk Sulaiman bin Daud  
Dato' Wira Prof. Ir. Dr. Mohammad Noor bin Salleh  
Dato' Raja Nong Chik bin Raja Zainal Abidin

## NOMINATION COMMITTEE

Datuk Sulaiman bin Daud (Chairman)  
Dato' Ahmad Pardas bin Senin  
Dato' Wira Prof. Ir. Dr. Mohammad Noor bin Salleh

## REMUNERATION COMMITTEE

Dato' Wira Prof. Ir. Dr. Mohammed Noor bin Salleh (Chairman)  
Dato' Ahmad Pardas bin Senin  
Ismael Fariz bin Ali

## RISK MANAGEMENT COMMITTEE

Datuk Sulaiman bin Daud (Chairman)  
Azhar bin Hussain  
Roshidah binti Abdullah  
Cheah Ewe Khoon  
Izhar bin Shaari

## ESOS COMMITTEE

Dato' Wira Prof. Ir. Dr. Mohammed Noor bin Salleh (Chairman)  
Dato' Ahmad Pardas bin Senin  
Azhar bin Hussain  
Roshidah binti Abdullah

## SECRETARIES

Wong Lee Loo  
(MAICSA 7001219)

Norhana binti Othman  
(LS 0008547)

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

## REGISTERED ADDRESS

Pharmaniaga Berhad  
1st Floor, MCOBA Building  
No. 42, Jalan Syed Putra  
50460 Kuala Lumpur  
Tel: 03-2718 6868  
Fax: 03-2718 6856

## AUDITORS

PricewaterhouseCoopers  
Chartered Accountants  
11th Floor Wisma Sime Darby  
Jalan Raja Laut  
P.O. Box 10192  
50706 Kuala Lumpur

## SHARE REGISTRAR

ShareWorks Sdn Bhd  
23, Jalan Sri Hartamas 7  
Sri Hartamas  
50480 Kuala Lumpur  
Tel : 03-6201 1120  
Fax: 03-6201 5959

## SOLICITORS

Zaid Ibrahim & Co.  
Abu Talib Shahrom  
Shahrizat Rashid & Lee  
Zahir Razak & Co.  
Rastam Singa & Co.

## PRINCIPAL BANKER

Bumiputra-Commerce Bank  
Berhad

## BUSINESS ADDRESS

7, Lorong Keluli 1B,  
Kawasan Perindustrian  
Bukit Raja Selatan, Seksyen 7,  
40000 Shah Alam,  
Selangor Darul Ehsan  
Tel : 03-3342 9999  
Fax: 03-3341 7777

DATO' MOHAMED AZM  
↑  
Non-Exec



AZHAR BIN HUSSAIN  
Managing Director



16

Annual Report  
2005

# BOARD OF

PHARMANIAGA BERHAD



DATO' AHMAD PARDAS BIN SENIN  
Non-Independent Non-Executive Director

DATUK SULAIMAN BIN DAUD  
Senior Independent  
Non-Executive Director





**ISMAEL FARIZ BIN ALI**  
Independent Non-Executive Director



**DATO' RAJA NONG CHIK  
BIN RAJA ZAINAL ABIDIN**  
Non-Independent  
Non-Executive Director

# DIRECTORS

17

Annual Report  
2005



**OH KIM SUN**  
Non-Independent  
Non-Executive Director

**DATO' WIRA PROF. IR. DR.  
MOHAMMAD NOOR  
BIN SALLEH**  
Independent Non-Executive Director



PHARMANIAGA BERHAD

**Dato' Mohamed Azman bin Yahya**  
Non-Independent Non-Executive Chairman

18

Annual Report  
2005

PHARMANIAGA BERHAD



Dato' Azman, aged 42, a Malaysian, is the Non-Independent Non-Executive Chairman of Pharmaniaga since 15 November 2001. He is the founder and Group Chief Executive of Symphony House Berhad, a listed IT and managed services group. Prior to this, Dato' Azman was appointed by the Government of Malaysia in 1998 to set-up and head Danaharta, the national asset management company and subsequently became its chairman until 2003. He was also the Chairman of the Corporate Debt Restructuring Committee (CDRC), which was set-up by Bank Negara Malaysia to mediate and assist in the debt restructuring of viable companies until its closure in 2002. His previous career includes auditing with KPMG in London, finance with the Island & Peninsular Group and investment banking with Bumiputra Merchant Bankers and Amanah Merchant Bank, the latter as the Chief Executive. Outside his professional engagements, Dato' Azman is active in public service. He sits on the board of a number of Government Linked Corporations namely Khazanah Nasional Berhad, the investment arm of the Malaysian Government, Malaysian Airline System Berhad, PLUS Expressway Berhad. Dato' Azman also serves as a member of the Securities Market Consultative Panel and the National Council for Scientific Research and Development. He holds the post of Adjunct Professor at the International Islamic University Management Centre. In recognition of his intensive participation and promotion of motorsports in the country, he was recently appointed as pro-tem Chairman of the newly established Motorsports Commission of Malaysia. Dato' Azman is also a Director of Symphony House Berhad, Scomi Group Berhad, Bolton Berhad and Kuala Lumpur Business Club.

He graduated with a first class honours degree in Economics from the London School of Economics and Political Science and is a member of the Institute of Chartered Accountants in England and Wales, the Malaysian Institute of Accountants and a Fellow of the Malaysian Institute of Banks.



**Azhar bin Hussain**

Managing Director

Azhar bin Hussain, aged 53, a Malaysian, is the Managing Director of Pharmaniaga. He was appointed to the Board as the Executive Director on 2 September 1999. He started his career back in 1977 as a Production Executive with Glaxo Malaysia; a leading multinational pharmaceutical company. That was the beginning of his 27 years of service in various management positions within the industry. He was the Technical Director and Board member of Glaxo Malaysia before he joined the Group as the Managing Director of Pharmaniaga Manufacturing Berhad in December 1994. He was later promoted to lead Pharmaniaga as Managing Director on 1 April 2003.

He also holds directorship positions in various subsidiaries and associate companies of Pharmaniaga. He is currently the President of MOPI (Malaysian Organisation of Pharmaceutical Industries). He is a registered pharmacist and graduated from the University of Wales with a B.Pharmacy (Hons) degree.



**Datuk Sulaiman bin Daud**

Senior Independent Non-Executive Director



Datuk Sulaiman bin Daud, aged 59, a Malaysian, is the Senior Independent Non-Executive Director of Pharmaniaga. He was appointed to the Board on 15 November 2001. He had an illustrious career with Malaysian Tobacco Company Ltd where he ascended the corporate ladder to be its Deputy Chief Executive/Executive Director. He is currently the Chairman of Bank Pertanian Malaysia and holds directorships in Park May Bhd, Ho Hup Construction Company Bhd, Malaysia Packaging Industry Berhad and Axis Systems Holding Ltd.

Datuk Sulaiman is also the Chairman of the Nomination Committee and Risk Management Committee and member of the Audit Committee. Datuk Sulaiman has a Master in Business Administration from International Management Centres, Buckingham, United Kingdom and has attended the Stanford-Insead Advanced Management Programme at Fontainebleau, France.

**Dato' Ahmad Pardas Senin**

Non-Independent Non-Executive Director



Dato' Ahmad Pardas bin Senin, aged 54, a Malaysian, is a Non-Independent Non-Executive Director of Pharmaniaga. He was appointed on 1 July 2004. He is currently the Managing Director/Chief Executive Officer of United Engineers (Malaysia) Berhad. He is also the Managing Director/Chief Executive Officer of UEM World Berhad, Deputy Chairman of PLUS Expressways Berhad, Projek Lebuhraya Utara-Selatan Berhad and UEM Builders Berhad and Costain Group Plc. Between April 2003 to June 2004 he was seconded to Silterra Malaysia Sdn Bhd ("Silterra"), a subsidiary of Khazanah Nasional Berhad as Executive Director. At present, he remains a Non-Executive Director of Silterra. His past appointments included being Managing Director of Time Engineering Berhad, Executive Director/CEO of TimedotCom Berhad, Group Managing Director of Renong Berhad (now known as UEM Land Sdn Bhd), Chief Operating Officer and Managing Director of EPE Power Corporation Berhad (now renamed Ranhill Power Berhad), General Manager, Finance in Renong Berhad and 17 years with the British-American Tobacco Group. He has also served on the boards of Crest Petroleum Berhad, Faber Group Berhad and the Malaysian Industry-Government Group Technology.

He currently also holds directorships in OPUS International Group Plc, Linkedua (Malaysia) Berhad, Yayasan UEM, UEM Land Sdn Bhd, Expressway Lingkaran Tengah Berhad and UEM Environment Sdn Bhd. Dato' Ahmad Pardas is a member of the Remuneration Committee, Nomination Committee and ESOS Committee. He is currently also a member of the Financial Reporting Foundation, a Fellow of The Chartered Institute of Management Accountants, a Chartered Member of the Malaysian Institute of Accountants (MIA) and a Member of the Institute of Internal Auditors Inc.

### **Dato' Raja Nong Chik bin Raja Zainal Abidin**

Non-Independent Non-Executive Director



Dato' Raja Nong Chik bin Raja Zainal Abidin, aged 53, a Malaysian, is a Non-Independent Non-Executive Director of Pharmaniaga. He was appointed to the Board on 2 September 1999. He started his career at FELCRA (Federal Land Consolidation and Rehabilitation Authority) in 1978. A year later, he became Manager in Corporate Planning and Finance at Kumpulan Fima Bhd. In 1982, he joined OYL Industries as Executive Director, leading to the formation of a joint venture company named Razatec Sdn Bhd which pioneered a local brand of electrical products called Acson; now recognised in Malaysia as well as overseas. After nine years he left to start Rasma Corporation Sdn Bhd, a Class A mechanical and electrical contractor, where he is the Managing Director and majority shareholder.

Presently, he is the President of the Bumiputra Manufacturers' and Service Industry Association of Malaysia and is also a member of The Chartered Institute of Management Accountants, Malaysian Institute of Accountants and Chartered Institute of Secretaries and Administrators. He is a member of the Audit Committee. He is also an Independent Director of I Cap Biz Berhad. He holds a degree in Economics (Hons) from the University of Wales.

### **Ismael Fariz bin Ali**

Independent Non-Executive Director

Ismael Fariz bin Ali, aged 44, a Malaysian, is an Independent Non-Executive Director of Pharmaniaga. He was appointed to the Board on 15 November 2001. Prior to his current position as Managing Director of First Floor Capital Sdn Bhd, he was attached with Arab-Malaysian Merchant Bank Bhd where he was with the Corporate Finance Department and General Manager for Project Advisory. He also holds directorships in Valuecap Sdn Bhd, Celcom (Malaysia) Berhad and RHB Bank Berhad. He is the Chairman of the Audit Committee and member of the Remuneration Committee. He holds a Master of Business Administration (Finance) from University of Iowa, USA.



### **Dato' Wira Prof. Ir. Dr. Mohammad Noor bin Salleh**

Independent Non-Executive Director

Dato' Wira Prof. Ir. Dr. Mohammad Noor bin Salleh, aged 58, a Malaysian, is an Independent Non-Executive Director of Pharmaniaga. Dato' Wira Prof. Mohammad Noor was appointed to the Board on 15 November 2001. Prior to his present position as Vice President of Open University of Malaysia, he was the Vice Chancellor of Universiti Pendidikan Sultan Idris. He held similar appointment in Universiti Utara Malaysia and was the Deputy Vice Chancellor in Universiti Teknologi Malaysia before that. Dato' Prof. Mohammad Noor chairs the Remuneration Committee and ESOS Committee and sits in the Audit Committee and Nomination Committee. Dato' Prof. Mohammad Noor has a Ph.D. in Civil Engineering from the University of Strathclyde, Glasgow. He is currently a Fellow of the Academy of Science Malaysia, Fellow Member of Institution of Engineers Malaysia and a member of the Malaysian Institute of Management.



### **Oh Kim Sun**

Non-Independent Non-Executive Director



Oh Kim Sun, aged 58, a Malaysian, is a Non-Independent Non-Executive Director of Pharmaniaga. He was appointed by the Board on 12 December 2005. He is currently the Chairman of Ideal Force Sdn Bhd, Qualified as a Chartered Accountant in England in 1972 and subsequently worked for Coopers and Lybrand in London and in Kuala Lumpur for 3 years. He joined Taiko Plantations Sdn Berhad (a member of the KLK Group) as Chief Accountant in 1976 and left in 1983 as Deputy Managing Director. He joined ICI (Malaysia) Sdn Berhad as Chief Accountant in 1983 and was instrumental in the corporate restructuring of the ICI Group of Companies in Malaysia in 1986. He was seconded to ICI's headquarters in London in 1988 as Finance Manager overseeing Northern Europe. He was appointed as Finance Director of Chemical Company of Malaysia Berhad ("CCM") in 1990 which was then a listed subsidiary of ICI in Malaysia. In 1994, he also led a successful management buyout of CCM from ICI and was subsequently appointed the Group Executive Director of CCM. He held this position up to April 2003. He currently also holds directorship in IMPAX Laboratories Inc, a company listed on NASDAQ, Asset Backed Holdings Limited, a company listed on the Australian Stock Exchange Ltd, UEM World Berhad, Greatpac Holdings Bhd, Nikko Electronics Bhd, Linkedua (Malaysia) Bhd and several other private companies. He is also a member of the Malaysian Institute of Certified Public Accountants.

Note:

- i) None of the Directors, has any family relationship with any other Director and/or major shareholder nor conflict of interest with Pharmaniaga Berhad.
- ii) None of the Directors has been convicted for any offences for past 10 years (other than traffic offences, if any).



-Johan 7 years

-Sarah 5 years





# *Continuously* **aspiring**

Through careful nurturing and intense focus on consistency and coordination throughout our organisation we have built strong distinctive brands for our products and services. This is driven by our relentless pursuit to achieve our aspirations, of delivering our best at greater value. Our talented and experienced team is highly motivated to exceed expectations. We've built a confident, collaborative corporate culture by having a clear vision of our ultimate destination and the passion to attain our aspirations.

# *Chairman's Statement*



**DATO' MOHAMED AZMAN BIN YAHYA**  
Chairman

*Dear Shareholders,*

## Introduction

The chosen theme for this year's Annual Report, 'Aspirations', aptly underscores our vision to be the preferred healthcare brand in the market we choose to serve. Key to us reaching our aspirations will be business expansions abroad, introduction of new products, adoption of new technologies and thrusting collaborations for research and development.

As we continue to evolve, our confidence and determination to achieve our aspirations grow stronger day by day. We can look back with pride on our past achievements and know that our position today has been made possible by sheer dedication, hard work and guiding principles of the Group.

## The Malaysian Economy

Against a backdrop of rising oil prices and a slow economic growth worldwide, the Malaysian economy moderated in 2005. After growing by an impressive 7.1 percent in the previous year, 2005 saw the economy moderating at a 5.0 percent growth. The services and manufacturing sectors continued to be the main drivers to the growth, further supported by strong domestic consumption.

Buoyed by a strong job market and sustained business confidence, consumer spending remained robust for the most part of 2005. Inflation however, remained controllable at 2.8 percent, although increased from 1.4 percent in 2004. This has allowed the government to continue with its accommodative monetary policy throughout the year.

## The Pharmaceutical and Healthcare Industry in Malaysia

The pharmaceutical industry plays a pivotal role in the health status of the country. It is therefore no surprise that it is one of the most regulated industries, globally. The need to employ more advanced technology, high

volume production, more selective product range and the importance of process and equipment validation is continuously growing.

According to the Malaysian Organisation of Pharmaceutical Industries, the Malaysian pharmaceutical market has been growing between 8 to 10 percent in the last decade. In 2004, the market for prescription and over-the-counter medicines was estimated at about USD395 million while that for traditional medicines together with health and food supplements was anywhere between USD526 to USD790 million (*Malaysian Market – Waiting in the Wings, Pharmabiz.com, April 22, 2004*). By 2005, both markets were valued at around USD1 billion (*Pacific Bridge Medical, July 2005*).

Malaysia's rapidly growing private healthcare system, fueled over the past 10 years by the rise of employer paid private insurance benefits and rising per capita income, is expected to double the country's health expenditure from 3 percent to 6 percent of GDP in the next 15 years (*Healthcare in Malaysia, Pharmabiz.com, February 12, 2004*). The government considers the country's healthcare industry as one of its top priorities, and continually strives to implement new schemes to help boost the country's medical sector. Pharmaniaga's strategies to further expand its market share in the private sector market whilst its strengthening position in the government market is very much in line with the industry's growth trend in Malaysia.

### The Year in Review

Despite the challenging conditions in 2005, we remained focused on strengthening our business units, organising and consolidating operations and continued promoting knowledge across a diverse set of markets. Our employees are committed to delivering maximum value to our customers through superior quality products and services. Furthermore, we continued to make inroads in the healthcare industry both on the local and international fronts.



### Financial Performance

For the period under review, the Group registered a total turnover of RM936.4 million, an increase of 17.1 percent in comparison to 2004. The main growth driver came from our 55 percent owned subsidiary, PT Millennium Pharmacon International Tbk (MPI).

Although the Group's revenue increased, profit before tax (PBT) contracted by 48.6% to RM42.1 million from RM81.8 million in 2004 due mainly to lower contribution of high margin revenue stream. In particular, billings for the hospital equipping contracts were lower with the project having been completed in 2005. At the same time, the Group's PBT in 2004 was enhanced by the contracts to supply pharmaceutical products and medical equipment to the Middle East, which were also completed in 2005.

The Board is happy to report that the acquisitions of the remaining 30% share in Pharmaniaga Logistics Sdn Bhd and 55% share in MPI have resulted in net earnings enhancement to the Group during the financial year.

### Delivering Shareholder Value

The Board of Directors has proposed a final tax-exempt dividend of 11.5 sen per share (10.5 sen in 2004) for



approval by the shareholders at the forthcoming Annual General Meeting. Together with the interim tax-exempt dividend of 3.5 sen per share (4.5 sen in 2004) declared and paid out earlier in December 2005, the total dividend payout will be 15 sen per share, similar to that declared and paid for 2004.

#### **Firm footing in China and Indonesia**

MPI proved to be a sound investment for the Group. Despite the challenging economic environment in Indonesia, MPI achieved admirable results. Sales were recorded at RM192 million, representing a growth of 14.4 percent from 2004. Pre-tax profit was RM4 million, showing an increase of 47.5 percent from the previous year. Similarly, its net profit raised 81.6 percent to reach RM3 million. The good performance shown by MPI was made possible through intensified focus on top line deliveries and working hand-in-hand with its principals to achieve common objectives.

Pharmaniaga is committed to ensuring that MPI continues to be on track with its expansion and growth plans. Already in the pipeline is the opening of a branch each in Sulawesi and Riau. MPI's operations will also be supported by upgraded IT systems to increase productivity and enhance efficiency.

The collaboration with our Chinese counterpart, China WorldBest Group of Companies (CWGC), also has progressed successfully. Following the initial MOU signed in May 2004 between Pharmaniaga Berhad and CWGC, Pharmaniaga's wholly owned subsidiary, Pharmaniaga Pegasus (Seychelles) Co Ltd (Pharmaniaga Pegasus), signed an Equity Joint Venture Agreement with Shanghai WorldBest Treeful Pharmaceutical (Group) Co Ltd, which resulted in Pharmaniaga Pegasus taking a 40 percent equity share in Wuxi WorldBest Treeful Pharma Pharmaceutical Co Ltd (WWTPP).

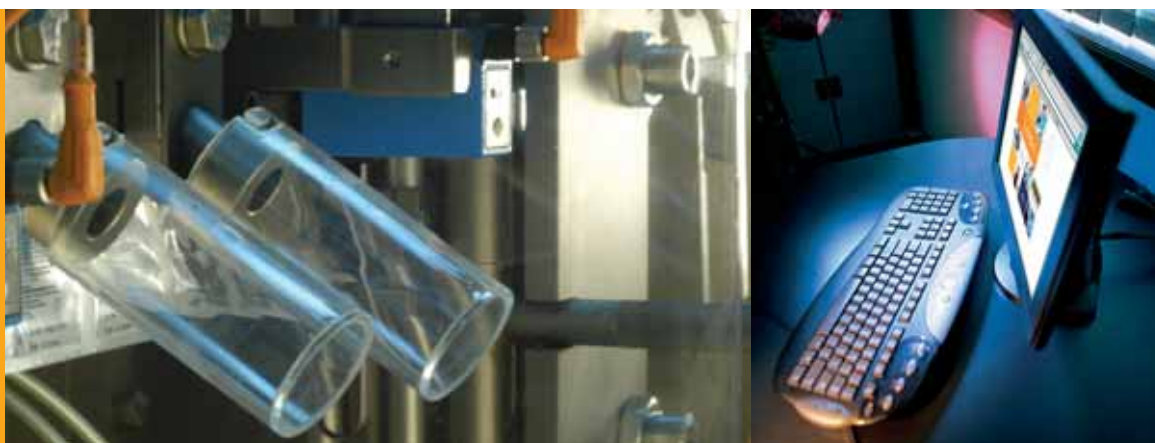
WWTPP successfully opened its Large Volume Intravenous plant on 8 March 2006 with an initial production capacity of 20-30 million bottles/bags/year. With our 40 percent stake in WWTPP, we can expect to see WWTPP's contribution to our bottom line from 2007 onwards.

#### **Strengthening local operations**

In pursuit of our aspirations, the Group continuously ensures that our local operations are also enhanced to ensure that we have a solid foundation to venture to new markets.

As a result of the Group's consistency in maintaining high standards in all of our operations, we have





successfully maintained all ISO certifications accorded to us in the past years as well as obtained new ones. Our Research & Development laboratory, which underwent upgrading works in 2005, is also accorded the ISO/IEC 17025 accreditation for Quality Control and Research Development Laboratories.

Our manufacturing plant in Bangi has been selected by the National Pharmaceutical Control Bureau as the Malaysian audit site for the production of sterile pharmaceuticals preparation facility for the PIC/s (Pharmaceutical Inspection Convention scheme), a GMP inspection standard adopted by European countries, Canada, Australia, Singapore and Malaysia.

Having already achieved the ISO 9001 and OHSAS 18001 in the past years, our Logistics operations went for the ISO 14001 and successfully completed a triple certification audit for ISO 9001, OHSAS 18001 and ISO 14001.

Being a group that uses IT as an enabler in almost all aspects of our operations, we have "outgrown" the enterprise resource planning (ERP) system that has been supporting us since day one of operations. 2005 saw the launch of the design phase of a new ERP system, aptly called the Pharmaniaga Integrated Enterprise Resource System (PIERS). PIERS will allow

us to be more efficient in running our business as it is able to integrate the various applications that we currently have. The migration to PIERS is expected to be completed by 2007.

Pharmaniaga closed the year on a positive note when it came out top in the **"Asia's Best Managed Pharmaceutical Company"** category in Euromoney's 10th Asian Company Survey. The survey was conducted amongst market and financial analysts at leading banks and financial research institutes in Asia.

#### Corporate Social Responsibility

Realising that there is still a big void in consumer literacy and awareness about proper intake and handling of medicine, Pharmaniaga embarked on a consumer awareness campaign. Appropriately named, *"mesti ambil tahu!"* (literally translated as 'must find out'), the campaign is a call for action to all consumers to find out more about the medicines that they are taking and the correct manner to store and take their medication.

Medicine management is only the first of many topics that *"mesti ambil tahu!"* will introduce as time progresses. *"mesti ambil tahu!"* has its own website at [www.mestiambil tahu.com](http://www.mestiambil tahu.com) and will be Pharmaniaga's



information vehicle for the public, in our effort to help develop a knowledge-based society.

### **Future Prospects**

We believe that with the plans put forth by the Government under the Ninth Malaysia Plan announced recently, Malaysia will continue to register a decent economic growth of around 5 percent per year for the next five years. Consumer spending is expected to continue to thrive whilst the possible upward trend in both the interest and inflation rates is being closely monitored.

Continued investments by the Government in the healthcare sector provide the necessary impetus for Malaysian pharmaceutical and healthcare companies to grow within the local market. The AFTA arrangement amongst ASEAN countries for pharmaceutical products will no doubt open up the regional market for local pharmaceutical companies to participate. With a population of more than 600 million people, ASEAN provides vast opportunities for growth for Malaysian companies including Pharmaniaga.

However, the opening up of the regional market has also attracted low cost pharmaceutical manufacturers, particularly Indian manufacturers. Further, China with its current capabilities will no doubt be following the footsteps of its Indian counterparts. At the same time, the global industry is seeing aggressive moves by multinational drug research and original patent holder companies to acquire generic drug manufacturers just to ensure that they continue to be in the game as escalating cost of drugs become an issue in many developed markets.

To continue to flourish within such a competitive and dynamic market environment, Pharmaniaga growth strategies will be delivered through a set of key objectives and targets developed according to the five-point focus - productivity of resources; business growth and expansion; internal process improvement; human capital and organizational development; brand building

and perception improvement. The five key focus points adopted by Pharmaniaga is in line with the ten key result areas that the Government has identified under its Government-linked Company Transformation initiative.

The strategic objectives underlying the five-point focus are definitely increasing the group's revenue through appropriate business expansion strategies; improving profitability by making assets and all other resources more productive; as streamlining of processes for improved efficiency; and ultimately enhancing value to shareholders and stakeholders alike.

### **In Appreciation**

2005 was a challenging yet eventful year for us. I would like to take this opportunity to thank our loyal and dedicated employees who have contributed their time and energy to face and overcome all challenges. Thank you also to our valued shareholders, customers, business partners, bankers, government authorities and other stakeholders. The confidence and support that you have given inspire us to scale further in our quest for excellence.

Lastly, warm appreciation goes to the Board of Directors who have guided us towards achieving our corporate goals to date.



**DATO' MOHAMED AZMAN BIN YAHYA**  
Chairman