



Stepping Out going further

We've built a strong foundation that has been the catalyst for our rapidly expanding business operations. Holding the future in our hands, is challenging, yet exciting. Embracing these challenges, we boldly move ahead, taking advantage of the opportunities that lie beyond the local boundaries.

Senior Management

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Annual Report
2005

PHARMANIAGA BERHAD



Azhar bin Hussain



Roshidah binti Abdullah



Izhar bin Shaari



Abd. Rahman bin
Abdullah Thani



Left to right :
Jamaluddin bin Elis, Ibrahim bin Zainuddin



Left to right :
Michael Loh Kee Ming, Cheah Ewe Khoon



Left to right :
Darmawan Subekti
Zaharul Kamal
Sukismo



Left to right :
Victor Hau Un Gee
Gavin Hoh Kum Yuen
Abdul Jaber bin Abdul Hafiz

Roshidah binti Abdullah

Roshidah, aged 39, is the Chief Operating Officer of Pharmaniaga Berhad. She joined Pharmaniaga Logistics as Finance Manager on 1 January 1995. A graduate of the South Australian Institute of Technology (now known as South Australian University of Technology) with a Bachelor of Arts (Accountancy) in 1988, she began her career as Senior Auditor with Kassim Chan & Co, an internationally affiliated public accounting firm. From 1993 she spent two years at TIME Engineering Bhd as Group Accountant before moving on to Pharmaniaga Logistics. She also served as the General Manager, Group Corporate Services from January 2000 before being promoted to the position of Chief Financial Officer in April 2003. She is a Certified Practising Accountant of CPA Australia and also a chartered member of the Malaysian Institute of Accountants. Promoted to her current position in April 2006, she currently oversees the operations of all Malaysian business units in the Pharmaniaga Group. She holds directorship positions in various subsidiary companies of Pharmaniaga.

Cheah Ewe Khoon

Cheah, aged 55, is the Senior General Manager, Medical Products & Services. He joined Pharmaniaga Logistics as a Senior Manager on 1 December 1994. He holds a Bachelors Degree in Pharmacy from Universiti Sains Malaysia, a Diploma in Medical Microbiology from the Institute of Medical Research, Ministry of Health, Malaysia (MOH) and is a Corporate Member of the Chartered Institute of Purchasing & Supply. Prior to joining Pharmaniaga Logistics, he served the MOH for 18 years as a Pharmacist in the Government Medical Store and General Hospitals. His last posting with the Government was as Deputy Director (Manufacturing) of the Government Medical Store. Currently, he oversees the operations of the Medical Products & Services Division.

Abdul Jaber bin Abdul Hafiz

Jaber, aged 49, is the Senior General Manager, Logistics & Distribution. He started with Pharmaniaga Logistics as Senior Manager, Operations on 15 August 1994. His responsibilities include supplier management, logistics and customer service management. A graduate from Punjab University, Pakistan in 1984 with a Bachelor of Pharmacy, his extensive experience in the local pharmaceutical industry includes working as a Pharmacist with Parke Davis, Schmidt Scientific and Wyeth (Pakistan) Laboratories. He was also the Inventory Manager of Zuellig Pharma Sdn Bhd, one of the major pharmaceutical distributors in Malaysia, from 1988 to 1993.

Gavin Hoh Kum Yuen

Gavin, aged 40, is the Senior General Manager, Group IT Services and e-commerce. He oversees the entire operations and management of Pharmaniaga Solutions. He holds a Bachelor of Science (Honours) in Computer Science from University of Westminster, United Kingdom and a Masters in Business System Analysis & Design from City University, United Kingdom. He began his career as a System Analyst in software development back in 1990 before moving on to become the Management Information Systems Manager for Pharmaniaga Logistics in September 1994. He is responsible for the development and implementation of the Group IT master plan as well as charting the direction of business developments and operations of Pharmaniaga Solutions focusing on Information Technology for healthcare, logistics and distributions; both locally and regionally.

Abd. Rahman bin Abdullah Thani

Abd. Rahman, aged 41, is the Senior General Manager, Business Development. He possesses a Bachelor of Commerce degree majoring in Accounting and Finance from the University of Tasmania, Australia and Fellow of Certified Practising Accountant (CPA) Australia as well as a Chartered Accountant with the Malaysian Institute of Accountants. He was attached to PriceWaterhouse from 1988 to 1991 as an Audit Senior. He then joined Petronas Trading Corporation Sdn Bhd (PETCO) and was subsequently seconded to Subic Bay Petroleum Products Ltd, a joint-venture company between PETCO and Coastal Corporation, USA as its Financial Controller in 1994. Following this, he joined Pharmaniaga Manufacturing in May 1995 as the General Manager, Finance and Administration. He was appointed to his current position in 2001 to explore opportunities with regard to expanding Pharmaniaga's business, both locally and internationally. He holds directorship positions in Pharmaniaga Manufacturing, Safire Pharmaceuticals and PT Millennium Pharmacon International Tbk (MPI).

Ibrahim bin Zainudin

Ibrahim, aged 48, is the Senior General Manager, Manufacturing. His responsibilities include overseeing all manufacturing activities, engineering services, project management, production planning and inventory control, as well as warehouse management of all of the Group's manufacturing sites. A graduate from Liverpool Polytechnic, United Kingdom with a Bachelor of Science (Honours) in Applied Biology, majoring in Microbiology & Biochemistry, he has over 22 years experience in the manufacturing industry, particularly in pharmaceuticals and medical devices. He began his career with Glaxo Malaysia Sdn Bhd (1982 – 1992) serving in various management functions including Quality Control Laboratory, Production and Quality Assurance. He also served with Euromedical Industries Sdn Bhd (a US FDA registered medical device manufacturing facility) from 1992 until 2001 in various disciplines including Quality Assurance & Regulatory Affairs, Research & Development and Human Resource management. Ibrahim joined the Group in March 2001. He also holds directorship positions in Pharmaniaga Manufacturing and Safire Pharmaceuticals.

Sukismo

Sukismo, 52, is President Director of PT. Millennium Pharmacon International Tbk (MPI). He began his career in MPI in 1974 as a member of the administrative staff. From 1975 to 1980 he was assigned to various positions i.e., as a salesman, a Supervisor in Jakarta, the Assistant Branch Manager in Medan, and as the Branch Manager in Makasar. In 1981 he was transferred to the Jogjakarta office as its Branch Manager until 1984 before his assignment as Branch Manager in Jakarta in 1988. After garnering wide experience in various branches, he was promoted to Assistant General Manager and then General Manager, from 1990 until 1996. At the 1996 Annual General Shareholders' Meeting of MPI, he was appointed as Director of the company. In 2003, he took on the role of President Director of MPI. Sukismo holds an MBA (Marketing & Finance) from Institute Management Prasetya Mulya Jakarta.

Izhar bin Shaari

Izhar, aged 48, is the Senior General Manager, Organisational Development. He joined Pharmaniaga Logistics on 1 February 2005. He graduated with a B.Sc (Finance) from Indiana State University, Indiana, USA in 1985 and a MBA from Stephen F. Austin State University, Texas, USA in 1987. Izhar has over 25 years of Human Resources experience and has served in various industries from banking and mining to electronic manufacturing and retailing. He served with Hewlett-Packard (M) Sdn Bhd for 6 years from 1989-1995, with Read-Rite (M) Sdn Bhd from 1995-1998, and then joined TOPS Retail (M) Sdn Bhd, an operating company of the Royal Ahold Group, Netherlands from 1999 to 2003. Prior to joining Pharmaniaga, he was with Scomi Group Berhad. Izhar is a member of the Malaysian Institute of Human Resource Management and has in the past, served on the Industrial Relations Panel of the Malaysian Employers Federation (MEF).

Victor Hau Un Gee

Victor, aged 49, is the Senior General Manager of Pharmaniaga Marketing. He joined Pharmaniaga on 26 July 2004. He holds a Bachelor of Science (Honours) in Biochemistry and Pharmacology from Monash University, Australia and graduated with a Masters in Business Administration from the University of Bath, United Kingdom. Victor has over 23 years of sales and marketing experience in the pharmaceuticals industry. He started his career with JL Morison Son & Jones Sdn Bhd (1982-1983), joined Johnson & Johnson Sdn Bhd (1983-1990), and served Ciba-Geigy (M) Sdn Bhd (1990-1993). He was also attached to Wyeth (M) Sdn Bhd for ten years and served as Managing Director (1996-2004). Victor was the 2nd Vice President of Pharmaceutical Association of Malaysia and Chairman of the Ethics Committee. He was also a member of the American Chamber of Commerce (AMCHAM) and a member of TEC Asia (Executive Committee).

Michael Loh Kee Ming

Michael, aged 51, is the General Manager of the Medical Equipment Unit. He graduated with a Bachelor of Arts from the University of Auckland, New Zealand, and began his working career in January 1980 as an Assistant Secretary in the Ministry of Energy, Telecommunications and Post, and hence began a career with the Malaysian Civil Service as an Administrative and Diplomatic Officer for the next sixteen (16) years in various Ministries and departments, until he went on optional retirement in 1995. His last position in Government Service was as the Principal Private Secretary to the Minister of Health, Malaysia. He joined Pharmaniaga Logistics as the Senior Manager for Business Development in June 1995. In October 1996, he was concurrently made the head of the newly established Medical Equipment Unit, and in 1999 was made solely responsible as Head of this expanded unit and subsequently promoted to General Manager of the unit in January 2002.

Darmawan Subekti

Darmawan, 42, is the Finance Director of PT Millennium Pharmacon International Tbk (MPI) since early 2003. Following his graduation in 1986, he started his career as an assistant lecturer moving on to become a lecturer of Food Process Engineering in the Faculty of Agriculture Technology, Bogor Agriculture University. He began his career in the banking industry in 1989 at the Accounting Division of Pan Indonesia Bank, following his graduation from the Officer Development Programme, a programme for management trainees at Pan Indonesia Bank. From 1991 until 1992 he was a Director of PT Pan LND, and thereon from 1992 to 1995 he was a Director of PT Pan Amcolindo. In 1995, he returned to Pan Indonesia Bank and became its Assistant Vice President in its Investment Department. Throughout his career, Darmawan has continued to develop his knowledge of Accounting and Finance through seminars and courses. He received his post-graduate diploma in Business Administration from Queensland University of Technology, Australia in 2002.

Jamaluddin bin Elis

Jamaludin, aged 42, is the General Manager of Safire Pharmaceuticals (M) Sdn Bhd. He received his Diploma in Civil Engineering from Universiti Teknologi Malaysia before proceeding to Brighton Polytechnic, UK, for his Bachelor of Science in Mechanical Engineering. He is also a holder of an MBA degree from Southern Cross University, Australia. Jamaludin has had wide-ranging work experience from his days at Delta Switchgear Sdn Bhd, a British manufacturer of switchboards and electrical switching components, to Popular Profile Group, a PUNB investee company with diverse business ventures from disk drives to automotive, electronics and telephony components. His last assignment was at Meditop Corporation Sdn Bhd, a Japanese multinational company manufacturing disposable medical devices, before joining Pharmaniaga in 1 April 2004. At Safire, he oversees the manufacturing, materials management, engineering and operations of the company.

Zaharul Kamal bin Abdul Kadir

Zaharul Kamal, aged 43 is the Executive Director of PT. Millennium Pharmacon International Tbk (MPI). A Malaysian, joined MPI on 1 August 2005. He has over 16 years of experience in the industry with an impressive portfolio while serving at Boots Company (Far East) Pte Ltd. where he started as an Assistant Accountant in 1989 and was later appointed as Director and Company Secretary. His last position with Boots was as the Finance and Administration Director, Far East, responsible for 8 countries in Asia. He is currently Pharmaniaga's representative at MPI in Indonesia. Zaharul Kamal is a Chartered Accountant with the Malaysian Institute of Accountants.

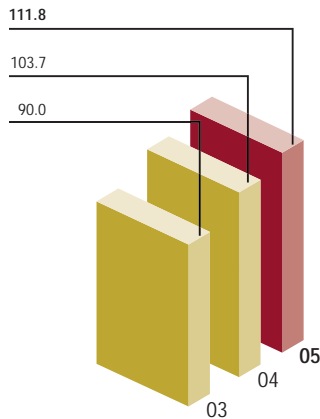


Growing Up together

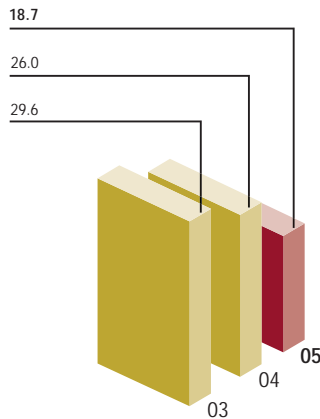
Pharmaniaga is growing up with Malaysians. Our common aims and shared aspirations have enabled us to build a strong foundation, which has moulded our growth to become Malaysia's foremost integrated healthcare solutions provider. As we journey on towards reaching our aspirations, we will continue to create value and enrich those around us.

Manufacturing

Revenue For 3 Years
(RM Million)



Profit Before Tax For 3 Years
(RM Million)



The Manufacturing division recorded an 8 percent growth in revenue to RM111.8 million, compared to RM103.7 million in 2004. Profit before taxes however, declined from RM26 million to RM18.7 million. This is mainly due to increased operational expenditure such as advertising and promotions.

“Revitalise” was the working theme for our manufacturing plants in 2005. In order to meet the latest guidelines on Good Manufacturing Practices (GMP), both our plants at Bangi and Bandar Seri Iskandar underwent upgrading works.

The penicillin building in Bandar Seri Iskandar resumed operations as scheduled in May 2005 after undergoing major redesigning and reconstruction works. This enabled us to centralise the penicillin manufacturing operations at one location. This consolidation allows us to focus and optimise resources by enhancing production efficiency and increasing capacity utilisation as well as improving economies of scale.

In Bangi, the new Research & Development (R&D) pilot plant, improved our lead time in launching new





products and enhanced our approach to scale-up to commercial production batch sizes. Similarly, the upgraded Quality Control (QC) and R & D laboratories provided additional testing capacities, capabilities and efficiencies in line with our ongoing quest of increasing production volume. The accreditation of these laboratories to the ISO/IEC 17025 standard further enhanced our international recognition for quality.

On the product front, we completed the product re-branding exercise, which was in line with the Group's brand building exercise, and progressively standardised and improved the layout of our labels and packaging materials in order to project a more international image.

The process validation for our sterile Cephalosporin plant took longer than anticipated due to technical complexities faced during the validation exercise, which required us to conduct lengthy and laborious qualification procedures. The hard work and strong commitment shown by the manufacturing team came through when the facility was selected by the National Pharmaceuticals Control Bureau as the reference site for the PIC/s (Pharmaceutical Inspection Convention scheme) GMP audit. PIC/s is a GMP inspection standard generally adopted by all the European countries as well as Canada, Australia, Singapore and Malaysia.



Future Outlook

Our manufacturing division has a longstanding commitment to operational excellence as a means to continuous improvement and expansion. The development of locally produced generic drugs continues to be a significant factor in the expansion of the local pharmaceutical industry as demand for less expensive equivalent drugs to substitute costly imported drugs increases. The Government's emphasis and preference for locally manufactured products will further expedite the growth of the Malaysian pharmaceutical industry which augurs well for the outlook of our manufacturing division.

In the coming financial year, we have set ourselves the following four targets:

- We will be completing the consolidation and rationalisation exercise for our manufacturing facilities in Bangi and Bandar Seri Iskandar. By the



- end of 2006, we will have dedicated manufacturing centres to manufacture specific product ranges at one location that will allow us to unify our resources, enhance our core competencies and optimise our productivity through better economies of scale.
- The completion of our new Small Volume Injectable (SVI) manufacturing plant in Puchong is targeted in the third quarter of 2006. Once ready, our new facility will provide us with an important product range which will enable us to penetrate the global market, particularly the US generic pharmaceutical market - the largest market in the world.
- We will be embarking on the Lean Sigma programme during the second quarter of 2006. This programme will equip our key technical personnel with the relevant and appropriate technical skills to improve production output, reduce cycle time, enhance the process and product quality and, most importantly, strengthen our cost leadership in the future.
- We will continue to invest in value added mechanisation in our efforts to create a competitive edge. As such, more of our labour intensive and manual operations will be increasingly phased out in order to reduce cost and enhance product and service quality by eliminating operator-related defects.

The Group total production output of all plants is illustrated below:

a. General Pharmaceutical

Dosage Form	Unit Measure	2005	2004	% Change
Tablet (plain)	Tablet	1,016,904,610	1,282,608,525	(20.7)
Tablet (coated)	Tablet	355,102,529	553,545,632	(35.8)
Capsule	Capsule	93,485,154	136,496,601	(31.5)
Dry Syrup	Bottle	576,287	655,359	(12.1)
Liquid	Litre	1,013,028	669,330	51.3
Cream	kg	128,275	85,098	50.7
ORS	Sachet	7,211,010	9,990,100	(27.8)

b. Penicillin

Dosage Form	Unit Measure	2005	2004	% Change
Tablet (plain)	Tablet	11,677,565	3,915,000	198.3
Tablet (coated)	Tablet	19,563,377	3,676,200	432.2
Capsule	Capsule	118,025,686	57,560,000	105.0
Dry Syrup	Bottle	1,421,420	1,398,475	1.6

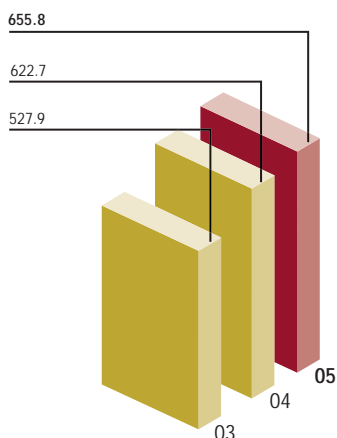
c. Cephalosporin

Dosage Form	Unit Measure	2005	2004	% Change
Capsule	Capsule	6,408,500	16,211,270	(60.5)
Dry Syrup	Bottle	59,115	432,230	(86.3)

Marketing & Distribution

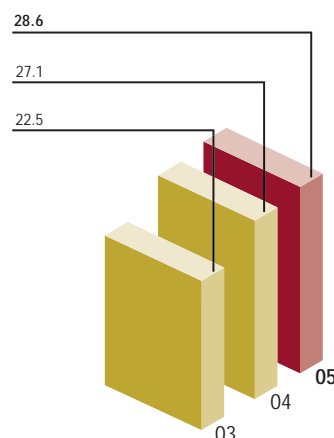
Segmental Revenue (Government) for 3 Years

RM Million



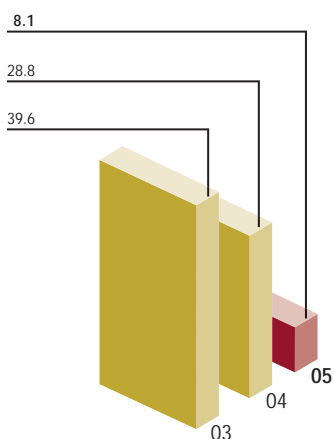
Segmental Revenue (Private Sector) for 3 Years

RM Million



Segmental Revenue (Distributorship) for 3 Years

RM Million



The Marketing and Distribution segment posted revenue of RM692.5 million in 2005, a two percent increase from the previous year's RM678.6 million. This can be attributed to several factors undertaken throughout the year, which include aggressive improvement in pricing strategy; operational efficiency in the areas of stock management; collections and sales force structure; energetic branding efforts to boost the image of Pharmaniaga within the healthcare community; consistent efforts in securing more tender contracts; and by being pro-active in terms of offering value-added services, such as on-line services and stock-on-hand, for our principals and customers.

During the year, our Citrex and Innoherb range successfully penetrated into two renowned chains, Guardian Pharmacy and Watson's. Both these brands were supported by heavy commercial airtime and in-store promotional campaigns.



This included the re-introduction of Citrex with its new packaging design and new variants to both the Citrex and Innoherb range. Numerous lectures on bio-equivalent products were also conducted for the benefit of the medical profession, while heavy advertising campaigns were launched in medical publications such as *MIMS*, *Medical Progress*, *Medical Tribune* and *Berita MMA*.

The trend of going back to nature is gaining popularity not only in developed western countries but also in Malaysia, where there seems to be an increase in patients opting for herbal or natural therapies as their

medical treatments. This growing acceptance and the smaller number of participants have made this segment a high potential market segment. As such, in 2005 we collaborated with a manufacturer in India to market its herbal range of products. We are currently in the process of registering these products in Malaysia.

In anticipation of our more aggressive and new marketing campaigns, we recruited additional personnel to strengthen our existing team. With the combined strength of new and existing sales and marketing personnel, we are confident the coming year will bring about more promising results.

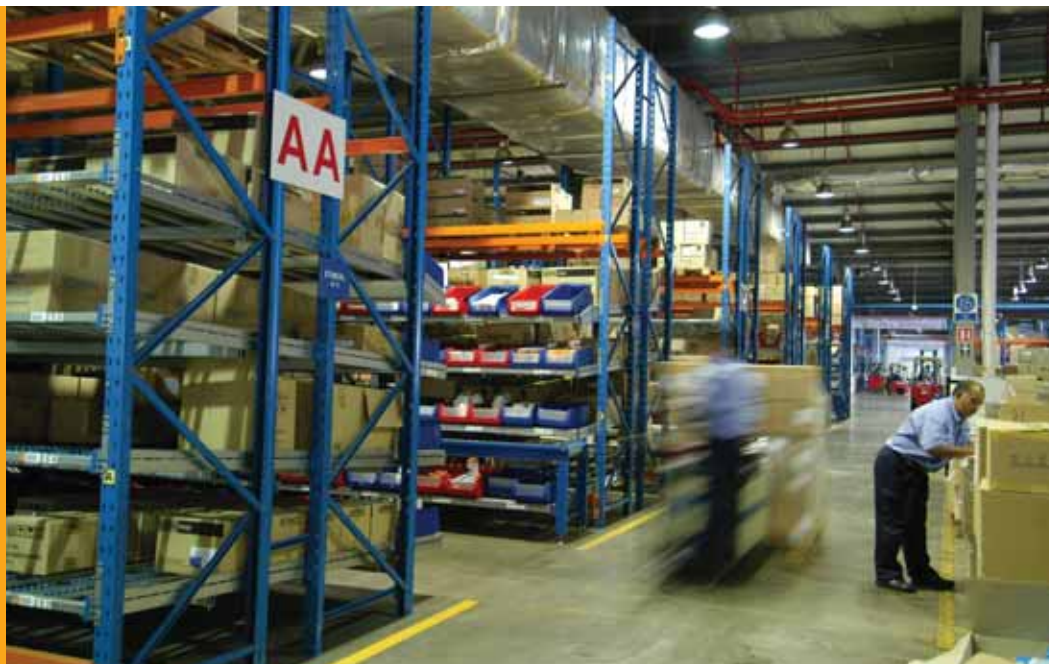
Analysis of sales of in-house manufactured products

Analysis of sales performance of in-house manufactured products by therapeutic areas for three years is as tabulated below.

				% changes from prior year	
	2005	2004	2003	2005 vs 2004	2004 vs 2003
Antibiotic	18,648	29,882	13,069	(37.6)	128.6
Cardiovascular & Hematopoietic	35,033	27,691	38,055	26.5	(27.2)
Other Chemotherapeutics	2,463	2,548	2,172	(3.3)	17.3
Dermatologicals	4,306	4,578	1,087	(5.9)	321.2
Alimentary System	2,460	2,685	5,265	(8.4)	(49.0)
Metabolism	19,979	21,895	18,959	(8.7)	15.5
Neuro Muscular System	6,432	7,145	9,903	(10.0)	(27.9)
Respiratory System	4,594	5,881	4,168	(21.9)	41.1
Vitamins & Minerals	2,951	2,961	2,391	(0.3)	23.8
Others	2,470	2,977	1,850	(17.0)	60.9
Total	99,337	108,243	96,919	(8.2)	11.7

Sales of in-house manufactured products contributed 14 percent to the total Group pharmaceuticals sales in 2005 compared to 16 percent in 2004. This reduction is attributed mainly to the change in the product mix purchased by the customers.

In view of the above, the overall sales from the therapeutics group declined compared to 2004. The only exception was cardiovascular products, which recorded a strong growth of 27 percent as a result of the increasing number of patients seeking cardiovascular therapies, primarily driven by diabetes and obesity. The cardiovascular segment registered sales of RM35.0 million. Metoprolol and Simvastatin remained the best selling cardiovascular products in both the government and private sectors.



Future Outlook

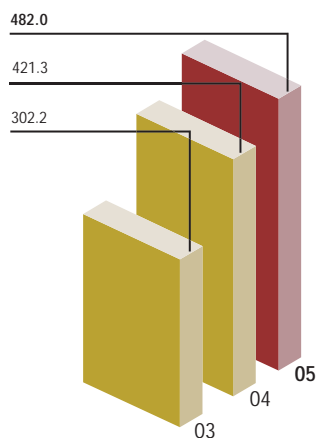
The year ahead for the Marketing and Distribution segment sees many exciting prospects. Despite the competitive generic market, we believe we are poised for growth as we expect to gain market share in the coming year. This is due to our new product launches which are already in the pipeline and the strengthening of our marketing team. We are also excited about our collaboration with our Indian partner which will allow us to distribute its herbal products throughout the country in 2006. Finally, we are highly optimistic that the positive growth trend will enable us to take advantage of the many opportunities available to make us a leading player in this industry.



Overseas Activities

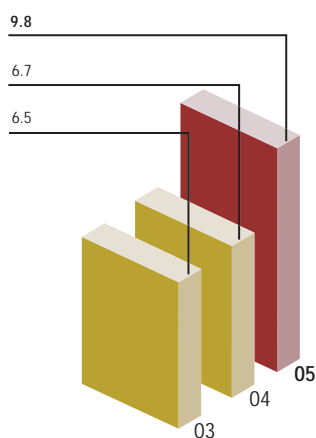
Revenue for 3 Years

Rupiah (Billion)



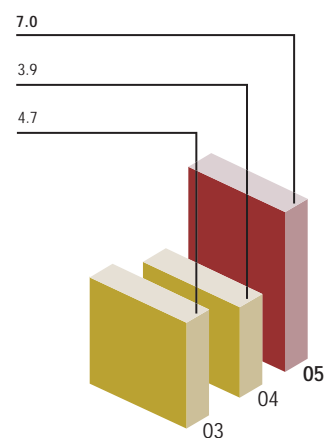
Profit Before Tax for 3 Years

Rupiah (Billion)



Net Profit for 3 Years

Rupiah (Billion)



INDONESIA

World oil prices affected the Indonesian economy drastically when the government initiated two price increases in 2005, a 30 percent hike in March and another hefty 126 percent in October. As a result, inflation spiralled to 17.8 percent while interest rates increased to 17 percent .

Against this difficult backdrop, MPI achieved admirable results. Sales grew by 14.4 percent to close at RM192 million. Pre-tax profit was RM4 million, an increase of 47.5 percent from the previous year, and net profit jumped by 81.6 percent to RM3 million. The good performance shown by MPI was made possible through intensifying its focus on top line deliveries and working hand-in-hand with its principals to achieve common objectives. In addition, a pro-active approach in managing costs to weather the impact of oil price increase and inflation proved to be successful as seen in the credible bottom line growth.

MPI will remain a crucial player in our efforts to introduce our products in Indonesia. In line with this objective, more branch openings are in the pipeline, with priority given to Manado in North Sulawesi and Batam in Riau. The company's IT systems will also be upgraded to increase efficiency and enhance the internal control systems in order to provide support for the expected expansion in business.



MPI's Distribution Network

CHINA

China is an exciting market with vast opportunities. Its pharmaceutical industry is growing at 17 to 18 percent per year with a market estimated to be worth USD12.3 billion and traditional Chinese medicines accounting for another USD4.2 billion.

Pharmaniaga's first venture into the lucrative Chinese market began when an Equity Joint Venture Agreement was signed between Pharmaniaga Pegasus (Seychelles) Co Ltd (PPS), a wholly owned subsidiary of Pharmaniaga Berhad, and Shanghai Worldbest Treeful Pharmaceutical (Group) Co Ltd (SWTP). This resulted in PPS holding 40 percent equity share in Wuxi Worldbest Treeful Pharma Pharmaceutical Co Ltd (WWTPP).

WWTPP successfully opened its manufacturing plant at the Wuxi Huishan Life Science & Technology Park in the Jiangsu Province of China on 8 March 2006. The successful opening of this plant means that we now have firm footing into the rapidly growing China market. The WWTPP plant will manufacture Large Volume Intravenous (LVI) for the Jiangsu Province that has a population of approximately 74.4 million people providing the market demand for LVI of about 316 million bottles/bags per year. WWTPP's facility has an annual production capacity of 20-30 million bottles/bags, and is expected to reach 100 million bottles or bags per year in 3 years.

INTERNATIONAL SALES

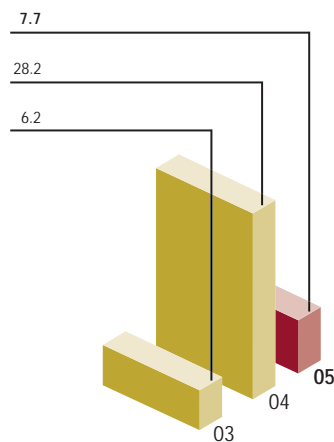
Currently, a wide array of our products can be found in countries such as Brunei, Indonesia, Singapore, Papua New Guinea, Fiji, Myanmar, Cambodia, Vietnam, Hong Kong, the Philippines, Zimbabwe, the Sudan, Sri Lanka, Kenya, Iraq and Macau.

In 2005, sales to overseas markets reached RM7.7 million. Nevertheless, this figure is significantly lower than the RM28.2 million sales recorded in the previous year. In 2004, Pharmaniaga secured and completed non-recurring contracts amounting to RM20.4 million.

In the coming year, we expect the markets of Vietnam, Myanmar and Indonesia to grow substantially. We will continue to expand our export business by carrying on with our aggressive selling and promotional activities to penetrate new and untapped markets in other regions of the world.

Segmental Revenue (Export) for 3 Years

RM Million



Pharmaniaga's presence in the international market.

Research and Development



Our dedicated team at the Pharmaniaga Research Centre worked tirelessly to develop and register new products for the Group during this financial year. We successfully developed products for the Cephalosporin sterile facility, while product development for our Small Volume Injectable (SVI) facility is progressing well. In line with the government's initiatives, we have identified partners for our biotechnology collaboration, whilst negotiations are still on going for a tie-up that will enable us to venture into the high potential herbal market.

Internal capacities and processes are continuously improved and enhanced to ensure that set objectives are successfully met. A more systematic and measurable methodology for new products was introduced, resulting in the increased efficiency and effectiveness of our product development process, thus, ultimately leading to higher rate of success for our new product launches.

Acknowledgement of the high standards maintained at our laboratories came in the form of the ISO/IEC 17025 accreditation. This certification confirms that we are in compliance with the stringent international standards set for laboratory competency assessment. In line with our manufacturing operations, we were also included in the ISO 9001, ISO 14001 and OHSAS 18001 accreditation systems.

The list of new products registered in Malaysia is as follows:

SN	PRODUCT	THERAPEUTIC CLASSIFICATION
1	InnoHerb Dandelion & Milk Thistle Capsule	Traditional Medicine
2	InnoHerb Spirulina Capsule	Health Supplement
3	Pharmaniaga Carbocisteine + Promethazine Syrup	Respiratory System
4	Pharmaniaga Meloxicam Tablet 7.5 mg	Neuromuscular
5	Pharmaniaga Cefuroxime Tablet 250 mg	Antibiotic
6	Safenac Gel 1% w/w (Safire)	Neuromuscular
7	Hamitan Tablet 500 mg (Safire)	Neuromuscular

Continuing with our various achievements, we added another 7 products into our roster of new registrations for the Malaysian market. On the international front, we obtained approval to export 50 products to various countries around the region. This included 27 to Macau, 8 to Hong Kong and 5 each to Cambodia and Vietnam. To add to our list of BE products, another 3 BE products received approvals, bringing the total number of Pharmaniaga BE products to 27.

Future Outlook

Focussing on our core competencies, we will continue concentrate on developing and registering new products for the Cephalosporin sterile facility, the Small Volume Injectable (SVI) facility and new off-patent generics. In line with the Government's focus on biotechnology, we will also enhance and develop our capabilities and participation in the industry and Malaysian herbal remedies front.



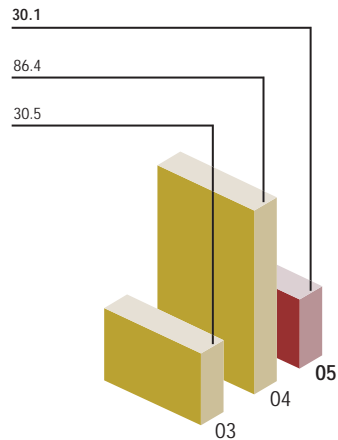
The list of total BE products up to December 2005:

SN	Product Name	Active Ingredient	Therapeutic Classification	Innovator Product
1.	Pharmaniaga Salbutamol tablet	Salbutamol	Antiasthmatic	Ventolin
2.	Pharmaniaga Ticlopidine tablet	Ticlopidine	Antithrombotics	Ticlid
3.	Pharmaniaga Bromocriptine tablet	Bromocriptine mesylate	Antiparkinsonian	Parlodel
4.	Pharmaniaga Clarithromycin tablet	Clarithromycin	Antibiotic - Macrolides	Klacid
5.	Pharmaniaga Terbutaline tablet	Terbutaline	Antiasthmatic	Bricanyl
6.	Pharmaniaga Aciclovir tablet	Aciclovir	Antiviral	Zovirax
7.	Pharmaniaga Atenolol tablet	Atenolol	Antihypertensive	Tenormin
8.	Pharmaniaga Bacampicillin tablet	Bacampicillin HCL	Antibiotics - Penicillin	Penglobe
9.	Pharmaniaga Cetirizine tablet	Cetirizine	Antiallergy	Zyrtec
10.	Pharmaniaga Cimetidine tablet	Cimetidine	Antiulcer	Tagamet
11.	Pharmaniaga Ciprofloxacin tablet	Ciprofloxacin	Antibiotic - Quinolones	Ciprobay
12.	Pharmaniaga Enalapril tablet	Enalapril	Antihypertensive	Renitec
13.	Pharmaniaga Fluconazole capsule	Fluconazole	Antifungal	Diflucan
14.	Pharmaniaga Frusemide tablet	Frusemide	Diuretics	Lasix
15.	Pharmaniaga Ketoconazole tablet	Ketoconazole	Antifungal	Nizoral
16.	Pharmaniaga Metformin tablet	Metformin	Antidiabetic	Glucophage
17.	Pharmaniaga Methyldopa tablet	Methyldopa	Antihypertensive	Aldomet
18.	Pharmaniaga Metoprolol tablet	Metoprolol	Antihypertensive	Betaloc
19.	Pharmaniaga Nifedipine SR capsule	Nifedipine	Antihypertensive	Adalat LA
20.	Pharmaniaga Omeprazole capsule	Omeprazole	Antiulcer	Losec
21.	Pharmaniaga Propranolol tablet	Propranolol	Antihypertensive	Inderal
22.	Pharmaniaga Ranitidine tablet	Ranitidine	Antiulcer	Zantac
23.	Pharmaniaga Simvastatin tablet	Simvastatin	Antihyperlipidaemia	Zocor
24.	Pharmaniaga Theophylline tablet	Theophylline	Antiasthmatic	Nuelin
25.	Pharmaniaga Itraconazole capsule	Itraconazole	Antifungal	Sporanox
26.	Pharmaniaga Meloxicam tablet	Meloxicam	Anti-inflammatory	Mobic
27.	Pharmaniaga Metformin DC	Metformin	Antidiabetic	Glucophage

Medical Planning & Equipping

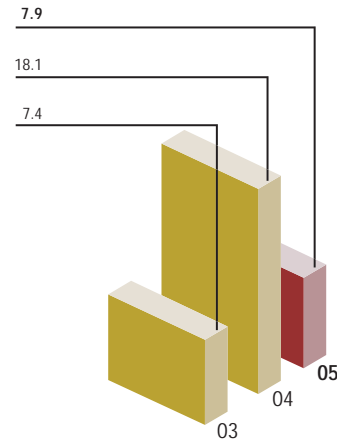
Revenue For 3 Years

(RM Million)



Profit Before Tax For 3 Years

(RM Million)



Pharmaniaga Biomedical, which carries out the medical planning, equipping and equipment supply business, registered revenue of RM30 million for this financial year and generated a profit before tax of RM7.9 million. Compared to 2004, both revenue and profit before tax contracted by 65 percent and 56 percent respectively. The year 2005 saw Pharmaniaga Biomedical completing all major contracts secured over the last three years, namely the four hospital projects in East Malaysia and the equipment supply contracts to the Middle East. As these projects were completed, more efforts have been focused on new business development activities, both in Malaysia and selected countries in other parts of the world.

Our involvement as the turnkey contractor for equipment planning and supply to new hospital projects in East Malaysia has definitely been our pillar of strength. Over the last 5 years, we have successfully delivered all six contracts awarded to us within the stipulated time frame and budgeted cost. This is a testament of our capability in managing such projects.



Our ongoing venture to expand the business has made us realise the importance of fortifying our core competencies. This year, emphasis is given to procurement and international project management as effective procurement system contributes directly to margin improvement and performance of the company, while competency in project management ensures that projects are completed within the specified time frame with no additional costs incurred.

Whilst developing our core competencies in project-based revenue generating activities, we also find certain opportunities to be tapped within the more conventional equipment supply business. In that light, we have over the recent years secured agency lines with selected equipment manufacturers, where we act as their agent/distributor for the equipment in Malaysia and other countries, as specified and agreed with the equipment owners. Such arrangements include:

Equipment	Manufacturer
Lithotripter, Surgical Camera System, Gamma Equipment	W.O.M, Germany
Industrial air purifier	Sharp, Japan
Drug dispensing system	Cardinald Healthcare, USA

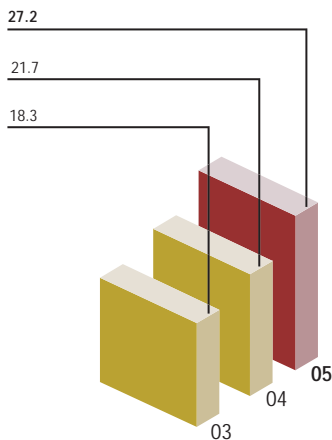
Future Outlook

We remain optimistic of the outlook and the business environment in which we are operating. The government-planned spending in healthcare under the Ninth Malaysia Plan will continue to provide opportunities for growth in Malaysia. Pharmaniaga's other activities in overseas markets, such as Indonesia and China, provide Pharmaniaga Biomedical with the right platform to quickly venture into the international marketplace.

Information Technology Solutions

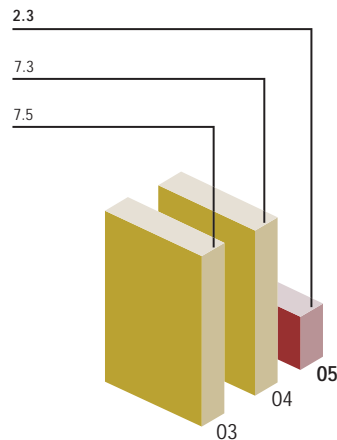
Revenue For 3 Years

(RM Million)



Profit Before Tax For 3 Years

(RM Million)



Continuing with the uptrend reported in the preceding years, Pharmaniaga Solutions recorded RM27.2 million in revenue from RM21.7 million in 2004. However, profit before taxes dropped to RM2.3 million from RM7.3 million as it increased investment in new business development activities.

In 2005, we were involved in several notable projects, which will help us gain a stronger foothold and create a niche in our field.

The trust of the Malaysian government is a symbol of recognition of our expertise. We are honoured to have been appointed as the main contractor and project manager for the Global Information Hub on Integrated Medicine (Info Hub) by the Malaysian government through the Ministry of Health (MOH).

The Info Hub is an information portal for alternative medicine practised in Commonwealth countries. The Malaysian government has agreed to take the lead on the development and hosting of this Info Hub by providing the initial funding to set it up. It is the objective of the Malaysian government to support the Info Hub to maturity that will subsequently be self-sustaining through self-generated revenue. It is currently under development and is due to be completed by the end of 2007.

As an IT company that provides practical IT solutions to our customers, consultancy in Computer Disaster Recovery Planning (CDRP) is a natural business progression. CDRP is essential to help organisations reduce, if not totally prevent, interruptions to its business activities and also to minimise the adverse impact of disruptive events. This year, Pharmaniaga Solutions assisted its sister companies in the Pharmaniaga Group to document the Group's Business Continuity Plan (BCP) policies and procedures.



The practicality and appropriateness of the drafted BCP policies and procedures were tested through crisis simulations conducted during the year. The success of our BCP implementation within Pharmaniaga Group has earned us the confidence of other companies within the UEM Group. This led us to being appointed to provide our services for the implementation of CDRP and BCP in these various companies.

In line with Pharmaniaga's aspiration to ensure quality in our core processes, we reached a significant milestone when we completed our ISO 9001 certification for software development and IT outsourcing. This accreditation ensures that we provide a high-class management system that matches global standards for our software design and development as well as IT outsourcing services.

The attainment of our ISO 9001 certification provided us the motivation to embark on the BS 7799 accreditation initiative that will ensure that we are in line with best practices in information security and business continuity planning.

In our effort to venture into the global arena, we participated in our first international exhibition at the Jakarta INDOCOM 2005. As an exhibitor at this significant ICT event, we had the opportunity to meet potential clients and make acquaintances with other players from the region. Promising leads were developed, while localisation of our business in Indonesia is currently in the pipeline.

We were also given the honour to showcase our services at the 2005 Asia-Pacific Traditional Medicine Expo & Forum in Wuhan, China. This opportunity to participate came about due to our position as the main contractor for the Info Hub project. Working in collaboration with the MOH, our presence allowed us to tap the many possibilities available to expand our networking in this republic.

Considering the long gestation period involved in any overseas initiatives, we foresee intensive efforts in both these countries to continue in the coming year. At the same time, we will also be pursuing opportunities in other markets.

Future Outlook

We will actively pursue the replication of our Pharma*Net system overseas, especially in the high growth areas in the Asian region. Additionally, IT outsourcing services, IT consultancy, web application, application hosting services and data centre services will be our core offerings to the healthcare, manufacturing and logistics industries and also to SMEs.

In our quest to continuously meet international best practices and standards, we will ensure that the Group will proceed to obtain the BS 7799 certification in the near future.



Nurturing growth

We have created good relationships among the customers and businesses we serve, our employees and shareholders - people who have witnessed, participated in and benefited from our steady growth in size and scope of services, and who appreciate our continuing dedication to their needs. We will continue to invest in our future by incurring expenses today that will drive revenue growth in the future. Our accomplishments are achievable because of the strength of our team, the quality of our strategy and the scope of opportunities that are opening up to us.

Environment, Health & Safety

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PHARMANIAGA BERHAD



Fundamental to sustaining our growth is the commitment we place towards protecting the environment and ensuring the health and safety of our employees, customers and the public.

We have in place several committees dealing with the related environmental, health and safety issues. Every one of our dedicated team members is responsible for ensuring that statutory requirements are adhered to at all Pharmaniaga locations. Besides establishing guidelines on systems, policies and training, they also monitor compliance, and maintain and disseminate information on the relevant laws and regulations. Close cooperation between all units and individuals is important to uphold high standards of environmental protection and safety at all locations.

Our commitment in ensuring safety and environmental matters conform to the relevant requirements are reflected in our major achievements for the year. Pharmaniaga Logistics successfully completed its triple certification audit for ISO 9001, OHSAS 18001 and ISO 14001 in December 2005. Meanwhile, our manufacturing facilities in Bangi, not only met the stringent requirements of Good Manufacturing Practices and Good Laboratories Practices, but has also been appointed the Pharmaceutical Inspection Convention scheme (PIC/s) audit site for the production of sterile pharmaceutical preparations by the National Pharmaceuticals Control Bureau. These practices and approval ensure that an effective framework is always in place, not only for the manufacture of high quality products but also for the effective use of resources and the reduction in wastes.

ENVIRONMENTAL PROTECTION INITIATIVES

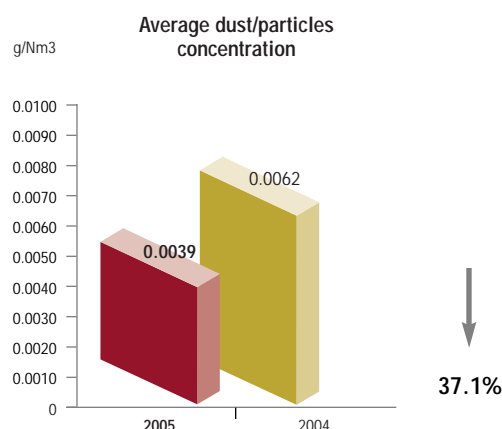
Most of the environmental performance indicators tracked throughout 2005 showed the desired improvement:

Air Quality

The results from our monitoring air quality have shown readings that are far below the Malaysian Environment Quality Act limits. Due to the consistent and excellent outcomes recorded, the frequency of air monitoring has been reduced from every quarterly to twice yearly since 2004.

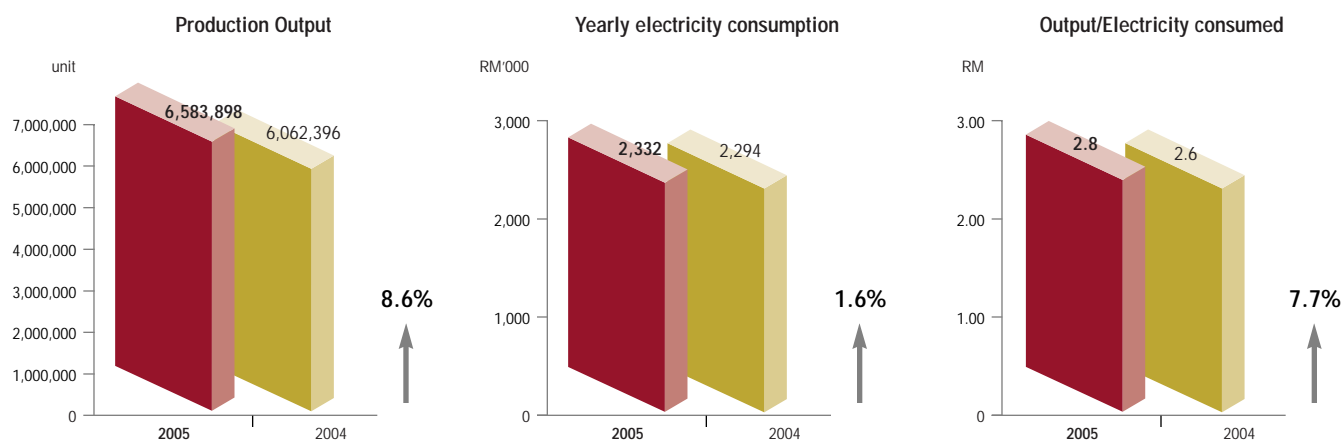
From our bi-annual monitoring, our air emission machinery (wet scrubber, chiller, dust collector, boiler) were continuously eluting dust and small particles below the limits set by the Department of Environment (0.4 g/Nm³).

The significant reduction by 37.1 percent in air emission for every unit of production output was achieved as a result of improvements in the overall manufacturing process.

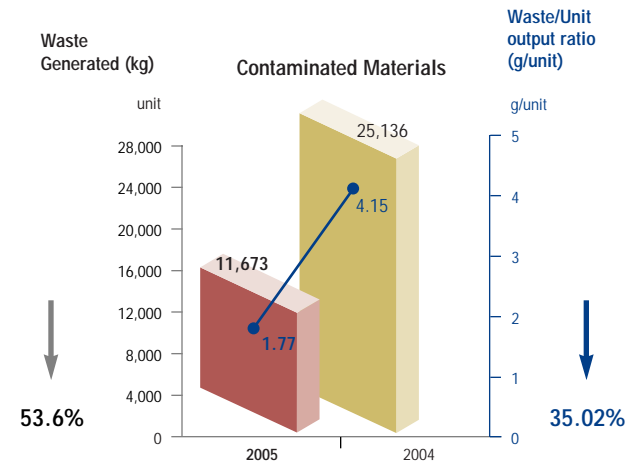
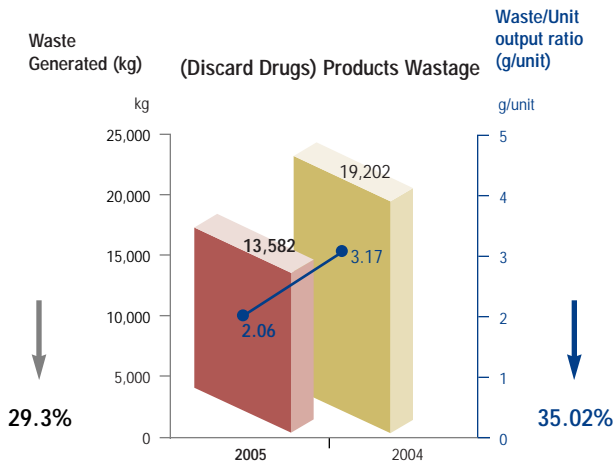
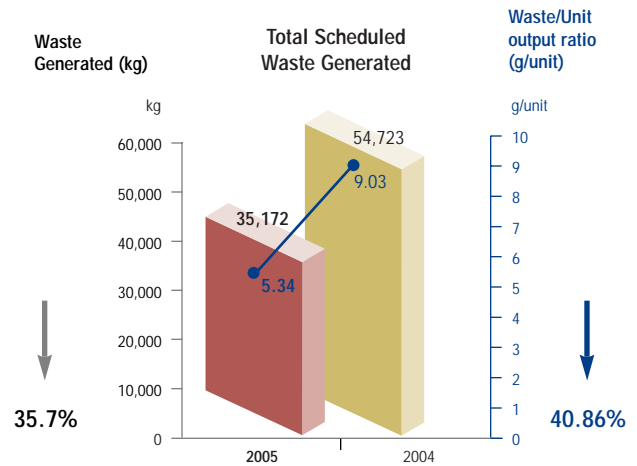
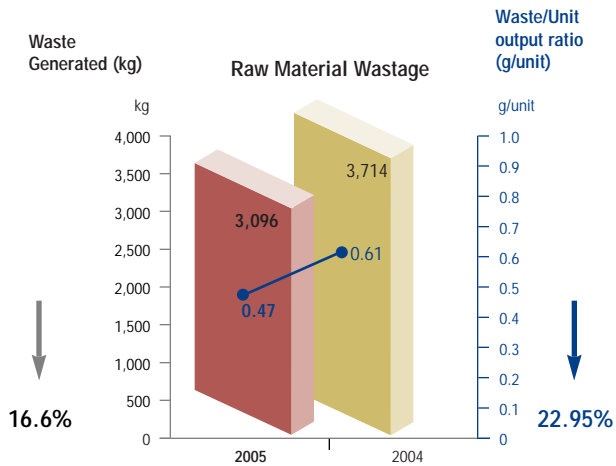


Energy Conservation

This year, we increased our energy conservation efforts by adopting new energy efficient equipment in our plants. These equipment include inverter controls for chiller condenser pumps and sequential controllers for air compressors. In addition, we implemented a Value Improvement Plan programme to reduce electricity consumption. We also encourage our staff to be more energy conscious by reminding them to switch off lights, air conditioners and equipment when not in use.



Waste Trend (2005 – 2005)



Even though production output has increased in 2005, we managed to reduce waste generated per unit with the implementation of the following:

- Maximising raw material utilisation processes through proper planning and reduction in raw material rejection/expiration (raw material waste per output decreased by 22.95 percent).
- Proper manufacturing practices and low rejection rates (finished product waste per output decreased by 35.02 percent).
- Full utilisation of materials related to the manufacturing process (contaminated materials per output decreased by 57.35 percent).

In line with the government's call to "Reduce, Reuse and Recycle", we actively encourage the re-utilisation of resources where possible. Employees are encouraged to reuse paper so that both sides are printed before they are disposed as well as to separate paper that is to be disposed for recycling. Ultimately, one of our long term goals is to move towards a "paperless office". Through embracing information technology and its related infrastructure, programmes such as e-forms will assist us to eliminate usage of paper where possible.

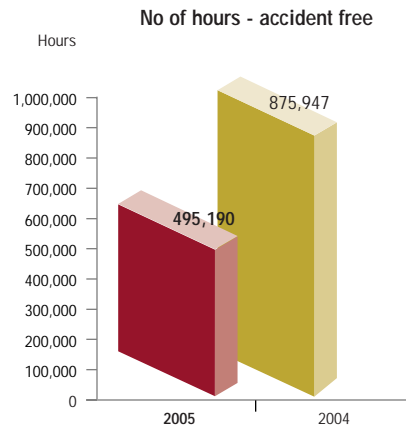
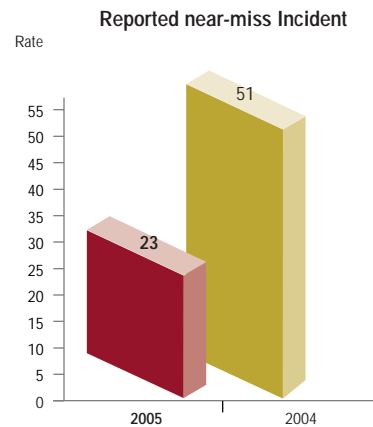
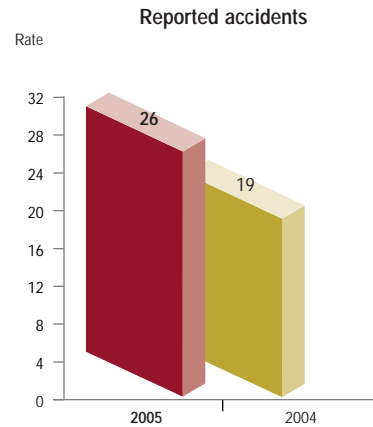
CULTIVATING A SAFETY CONSCIOUS CULTURE

During the year, our team of health and safety experts continued with its efforts to ensure that all risks and potential hazards related to Pharmaniaga's operations and products were continuously evaluated.

Numerous training and review sessions were conducted throughout the Group. This included a session on the handling of fire extinguishers at our Bukit Raja facility and a study on employees' response time in a fire drill exercise. Every quarter, our experts conducted inspection at our work sites to ensure that OSHA requirements were met. All facilities within the Group including the cafeteria were thoroughly scrutinised. From September to November, our OHSAS procedures were reviewed to include the newer OHSAS 14001 guidelines.

The increased awareness has encouraged staff to report accidents and near miss incidents at the workplace. 26 accidents occurred in 2005, out of which 3 major accidents contributed to the significant decrease of continuous production hours without lost time.

The safety and health committee has evaluated the cause of the accidents and measures have been taken to ensure that such accidents are avoided and precautions have been taken to reduce the risk of such accidents.



People Development

The constantly changing business environment and customer needs have resulted in many corporations having to consistently review their human resource practices. This has become even more critical in the increasingly competitive business arena. A sound fit between available human capital and an organisation's business will have a significant impact on the bottom line.

Pharmaniaga places a high importance on nurturing our workforce to ensure that they are equipped with the necessary skills and knowledge to carry out their tasks. In 2005, we invested about RM800,000 in people development programmes. This amount represented about 2.5 percent of total gross salaries for the year. On average, each of our employees attended at least 1.4 days of training, a majority of which addressed key business areas such as manufacturing, marketing and logistics.

Programme to proactively address this issue and enhance the productivity and service levels of the Group.

We continued with our Customer Relationship Management (CRM) module with our front liners and management personnel. CRM is intended to boost the performance of our customer service personnel to the next level. About 20 percent of our annual training cost during this financial year was spent on developing programmes related to CRM.

Another major initiative was the introduction of a leadership development programme called "4Es+1P - Jack Welch Way" to all leaders and managers. At the conclusion of the programme, we aim to assimilate this 4Es+1P model into our working culture. It is our hope that this new approach will work hand-in-hand with our corporate values of integrity, sincerity of intent, passion for success and teamwork to create a high performance culture and positive working attitudes.

Change Management

Acknowledging the inherent human tendency to resist change, we launched a Change Management

In preparation for the Group's migration to a new Enterprise Resource Planning system, we conducted a





change management programme workshop specifically for this purpose. This time, it was to gear our employees' mind set and skills to embrace the expected challenges when faced with a new system.

Organisational Renewal

We continued to source for potential talents to ensure that we have an uninterrupted supply of competent personnel to support our new business ventures both locally and abroad. Besides grooming and promoting our internal talents to assume new or higher positions and responsibilities, we also scouted externally to bring in fresh ideas, concepts and best practices to the Group. To assist in this venture, a Talent Management Programme was initiated with the intention of identifying, developing and retaining our best talents. This structured 18 month programme will assure leadership continuity for key positions and to enhance the organisation's capabilities.

Our sales training manual which was developed in the previous year has already been completed. It will serve as a source of reference for our sales and marketing team for the training and development of our sales people.

The global shift towards K-economy has placed a great importance on learning. In support of this new direction, we are trying to inculcate a learning culture by

encouraging our employees to continue to read and share information. Our Pharmaniaga Resource Centre spent about RM60,000 in 2005, representing about 6 percent of the employee training and development cost, to purchase management books and subscribe to several on-line journals to promote interest in reading among our employees.

Employer Branding

As a leader in the local pharmaceutical industry, Pharmaniaga will continue to enhance its image in the public's eye. At the local university level, we have been promoting Pharmaniaga to the student body by conducting several career talks. We worked hand-in-hand with UiTM, Shah Alam to award a book prize to its best student from the Bachelor of Pharmacy programme. During the prize presentation day, a career talk was conducted for the benefit of all Pharmacy undergraduates. In addition, a corporate booth was set up to introduce the students to our company, our products and services.

A similar career talk was conducted at the Monash University in Subang. Judging from the enthusiastic reception we received and the receptiveness of the university management, we hope to continue conducting more of these activities to expose students to the various job opportunities available at Pharmaniaga.



Challenging change

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Our past achievements serve as a benchmark for our future success. It has empowered us to boldly confront and adapt swiftly to the rapid changes occurring in our industry. This reinforces our leadership position and the edge that we have against our competitors.

Community Relations

“Enriching Life Together” is a pledge, which we at Pharmaniaga hold dear to our hearts. In line with this and in fulfilling our commitment as a caring corporate citizen, we have embarked on several community programmes that aim to foster relationship and goodwill.

“mesti ambil tahu!”

In line with the Government's aspiration to develop a knowledge based society to support the country's world class infrastructure, we embarked on a consumer awareness campaign called “*mesti ambil tahu!*” (literally translated as ‘must find out!’). This is our effort to fill the void in consumer literacy and awareness about proper intake and handling of medicine and 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. This includes following medication and storage instructions, knowing the names of prescribed medicines (both their generic and trade names), being aware of possible side effects and the importance of communication with the doctor or pharmacist.

The campaign was officially launched by the Health Minister, YB Dato Dr Chua Soi Lek on 14 April 2005, at Seri Pentas, TV3. Through the TV3 programme “*Malaysia Hari Ini*”, two minute advertorials on medicine management and live interviews with pharmacologist, Professor Dr Zahurin Mohamed, Head of the Department of Pharmacology, Faculty of Medicine, Universiti Malaya, were aired from 25 – 28 April 2005.



“*mesti ambil tahu!*” is Pharmaniaga's information platform for the masses. As such “*mesti ambil tahu!*” reaches out to the public via various media formats.

20,000 booklets in Bahasa Malaysia and English were produced and disseminated at our nationwide road shows and community talk sessions. These booklets can also be downloaded from www.mestiambil tahu.com. An online contest was also organised in collaboration with NST Online to reach out to the internet community. It is pleasing to note that since the site was created, it has generated over 17,000 unique hits and still counting.

“*mesti ambil tahu!*” is a long term and on-going project. Medicine management is only the first of many topics that “*mesti ambil tahu!*” will introduce as time progresses.

Throughout the year we also continued to align ourselves with several NGOs whose objectives were very much in tandem with our concerns for issues related to society and humanity at large, with emphasis on the healthcare related causes.

MERCY Malaysia

We continued our collaboration with MERCY whereby our RM200,000 grant was used to purchase pharmaceutical products and to fund local MERCY missions. Among the major projects that were conducted included a medical camp at Long Silat, Miri where the 268 inhabitants of this long house were given de-worming and dental treatment, and were presented with reading glasses.

We also continued with the “1,000 smiles across miles” toy collection for Mercy. This year, we successfully collected 500 stuffed toys which were then distributed to children all over the world through MERCY’s humanitarian missions.



The “Fight Against Diabetes” Campaign

The “Fight Against Diabetes” Campaign is organised by the National Diabetes Institute (NADI) in collaboration with the Ministry of Health, the Nutrition Society of Malaysia, the Malaysian Dietitians’ Association and the Malaysian Association for the Study of Obesity. As one of the main sponsors of this programme, which began in 2004, we participated in three roadshows throughout 2005, which were held at the Alamanda, Putrajaya, in Alor Setar, Kedah and Seremban, Negeri Sembilan.



NCBM Braille Cards

For the third year running, we helped the National Council for the Blind of Malaysia (NCBM) to raise funds by designing and selling braille greeting cards to corporations. The charitable Malaysian spirit was once again displayed when we successfully sold a total of 17,500 cards. The fund raised from this effort will be used to produce the audio version of “*mesti ambil tahu!*” for the benefit of the blind community.

The Haze

When the haze enveloped a major part of the country in August 2005, the thick clouds of dust and the acrid smoke impeded our daily routine to an extent that many were forced to seek medical treatment.

To help protect the health of our employees, facemasks were distributed to them. Not contented with that, we decided to extend our assistance to the traffic policemen, postmen and Fire and Rescue personnel within our community. We handed over surgical face masks to the Shah Alam Police Department, the Shah Alam Postal Department and the Shah Alam Fire Department. For the general public, we donated over 20,000 pieces of masks that went along with “*mesti ambil tahu!*” leaflets on haze; highlighting the hazards and safety precautions that the public should take.

