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At the start of the year we restructured our sales force into 3 units with specific product offerings: Primary Care, Specialty Care and Biopharma. The realignment repositioned us to be more focused in delivering added value to each customer segment and to grow market shares strategically and more swiftly.

We added to our core Primary Care product range during the year and more offerings were established with the introduction of new blister packaging. Among the success stories for the Primary Care portfolio was the achievement of three leadership positions in the domestic front. The star products were Pharmaniaga Bacampicillin, Pharmaniaga Cephalexin and Oral Rehydration Salt (ORS) which brought in a combined sales value of over RM4.5 million.

As for the Specialty Care range, a rewarding year was kicked off with a very successful launch of our new anti-obesity product, Cuvarlix (Orlistat), which surpassed the half million ringgit sales mark within the first 6 months of presentation to the market. Other Specialty Care range of products also showed tremendous growth. Sales of Covinace (Perindopril) raced ahead by 211%, Xylid (Cefuroxime Axetil) soared by 61%, and Pharmaniaga Chlarithromycin increased by 21%.

The new approach of technical selling for different categories of product proved to be effective at disseminating our marketing message about the efficacy of our products.

In addition, our Biopharma marketing unit started to make good progress in preparing to market biosimilar or follow-on biologic products. Currently, through an in-licensing initiative, we have submitted our first biosimilar product for registration for sale in the domestic market. Biopharmaceuticals will be our key strategic approach for future expansion as globally the market is estimated to be worth more than USD100 billion and is expected to grow faster than the overall pharmaceuticals market.

International sales, as expected, faced an uphill task due to resilient competition and other limiting factors. The approach taken by the International team for 2010 was to continue to focus on growing our core business in the 7 major countries that contributed more than 80% of our international sales in 2009 where we know we have a competitive advantage. Those countries were Vietnam, Indonesia, Myanmar, Singapore, Hong Kong, Sri Lanka and Cambodia.

To achieve their goals, the International Sales Unit has fine tuned its strategy to be more country specific and also to be more aggressive in registering new products. As a result, we enjoyed tremendous growth in several of our target key countries: Singapore (213%), Sri Lanka (144%) and Myanmar (27%).

OUTLOOK

Looking ahead, we have mapped out an ambitious plan to venture into markets beyond ASEAN. We are studying prospects in the Middle East, Africa, North Asia and Latin America and have collected extensive information through our active participation in International Congresses such as the Convention of Pharmaceutical Ingredients ("CPhI") Shanghai, CPhI Buenos Aires and CPhI Paris. As a result of our market research, we have garnered valuable leads and are now working on them to establish our presence in countries that hold out the most potential.

The Commercial Division is therefore well prepared for an aggressive expansion phase in the near future based on our current strategic positioning. New product launches and penetration into new countries will be the crucial steps to ensure our objectives are met and that we deliver the planned growth at attractive margins.

OUR QUEST OF QUALITY REMAINS PRIORITY IN OUR BRANDS AND PRODUCTS, TO STAND THE TEST OF GLOBAL COMPETITIVENESS.







RESEARCH & DEVELOPMENT

PHARMANIAGA BERHAD HAS STEADILY AND STRATEGICALLY EVOLVED FROM A RELIABLE PRODUCER OF DOSAGE FORMS TO A RESEARCH-FOCUSED COMPANY WITH AN EMERGING REGIONAL BASE. AT THE NEW PHARMANIAGA RESEARCH CENTRE ("PRC") AT BUKIT RAJA, SHAH ALAM AND AT OUR FACILITY IN BANGI, 27 RESEARCHERS ARE BREAKING NEW GROUND IN PHARMACEUTICAL RESEARCH IN THEIR SCIENTIFICALLY CHALLENGING QUEST TO DEVELOP NEW PRODUCTS FOR SALE IN MALAYSIA, THE ASEAN REGION AND THE WORLD.











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The focus of Research and Development ("R&D") is on a number of areas, including:

- Preformulation Studies
- Formulation Development
- Process Development
- Analytical Development and Validations
- Bio-equivalence Studies
- Phytomedicines

At PRC, our new product development programme includes identification and characterisation of the reference drug, information on drug product, patent and regulatory review, preformulation studies, excipient compatibility studies, analytical methods development and validation, formulation development and optimisation, formal stability studies and bio-equivalence studies.

The formulation development is carried out according to the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use ("ICH") and ASEAN Guidelines and requires regulatory submission of technical dossiers. At PRC, we also have a quality programme dedicated to continuous improvement of product quality of running products at a dedicated R&D site.

The PRC facility is equipped with formulation and analytical equipment to enable the scientists to work on a variety of product development projects. The analytical laboratory has an ISO 17025 accreditation from the Department of Standards Malaysia (DSM).

Laboratory-scale batches are subjected to stability as per ICH norms. The complete documentation of the laboratory data is presented in a format compliant with ASEAN standards or the regulatory requirements of targeted markets.

At PRC, we understand that a sound infrastructure meeting global standards is an essential part of achieving our deliverables. Our laboratories are well-equipped to handle:

- Tablets, immediate release
- Tablets, controlled or sustained-release
- Tablets, enteric coated
- Capsules, hard gelatin or cellulose (not from animal source), filled with powder, granules or pellets
- Oral liquids and suspensions
- Semi-solid dosage forms
- Liquid injectable
- An ICH-compliant stability management programme for testing stability

We are committed to do bio-equivalence studies to demonstrate that our products have a similar bio-availability profile to that of the innovator product.

OUTLOOK

Focusing on our core competencies, we will continue to concentrate on developing and registering 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.

New product design and development is a crucial factor in the success of the Group. In an industry that is changing rapidly, we must continually revise the design and update the range of our products. This is necessary due to continuous technological development as well as other competitors' activities and the changing preferences of customers.

IN A COLLABORATION OF STRONGLY FOCUSED RESEARCH UNITS, WE ARE MOVING TO UNPRECEDENTED ENHANCING CAPABILITIES.



FORMULATING FOR FUTURE SUSTAINABILITY

Rebuilding our Priorities

In life, we will continue to be a contributing factor for an environment that balances the quality of living today for tomorrow.







COMMUNITY ENGAGEMENT

CORPORATE RESPONSIBILITY AT PHARMANIAGA HAS INVOKED A CULTURAL TRANSFORMATION IN THE COMPANY AS WE INTEGRATE OPEN AND TRANSPARENT BUSINESS PRACTICES THAT ARE BASED ON ETHICAL VALUES AND RESPECT FOR THE COMMUNITY, EMPLOYEES, THE ENVIRONMENT, SHAREHOLDERS AND OTHER STAKEHOLDERS INTO OUR OPERATIONS AND DECISION MAKING. IT IS DESIGNED TO DELIVER SUSTAINABLE VALUE TO SOCIETY AT LARGE. VITALLY, IT INVOLVES COMMUNICATING THE COMPANY'S ACTIONS TO OUR STAKEHOLDERS AND ENCOURAGING THEIR FEEDBACK AS ONLY IN THIS WAY CAN WE MAINTAIN A DYNAMIC AND RELEVANT VISION.

We will need to change and prioritise as we go along, find what works best for our business, for society and the environment, and be committed to the path we take. We are aligning our business practices and decisions with what is beneficial to the society, the environment and ourselves.

HEALTHCARE OUTREACH

As a company operating in the healthcare arena we naturally enjoy a close rapport with agencies working in the medical field and in 2010 we supported a range of such associations and contributed to appeals for help from our fellow citizens. One such occasion was at the launch of "Tabung Pulih Kasih," a fund which will provide financial support for a drug suppression therapy programme managed by University of Malaya Centre for Addiction Sciences (UMCAS) to rehabilitate drug addicts.

At the health carnival organised by MOH, we made a contribution towards a Charity Dinner in aid of the mentally handicapped held by the Selangor & Federal Territory Association for the Mentally Handicapped. We also sponsored 256 tickets worth RM15,000 for "Adam the Musical" arranged by the Malaysian Aids Council (MAC). To raise funds for the rehabilitation of stroke survivors, we made a contribution of Innoherb from our consumer healthcare range to the National Stroke Association of Malaysia (NASAM) and supported the Malaysian Medical Relief Society (MERCY) Fundraising Dinner.







Metabolic syndrome is a combination of medical disorders that increases the risk of developing cardiovascular disease and diabetes. Changing diets and lifestyles have seen the increase of metabolic syndrome in Malaysia. Drawing attention to the risks, World Diabetes Day is the primary global awareness campaign for diabetes. In November 2010, our Skuad Operasi Sihat ("SOS") Team in collaboration with the Department of Health, Negeri Sembilan and the Malaysian Pharmaceutical Society (Negeri Sembilan Chapter) commemorated the event by donating medicine and medical consumables used for community health screening at Dataran Kemang, Port Dickson.

The population, in particular the indigenous people, living in the rural areas of the country, as opposed to the urban, often have less access to healthcare services. We have therefore entered into a 2-year collaboration (2011-2012) committing RM70,000 to MERCY for arranging an oral and dental health awareness and screening programme for the Orang Asli community in Pos Kemar, Perak. Supporting the next generation of medical talents, we also sponsored the community health project by the students of the International Medical University (IMU) Clinical School, held in Batu Pahat, Johor.

A HELPING HAND TO THE POOR AND DISADVANTAGED

The poor, particularly widows and orphans, and the sick and disabled, are targeted beneficiaries of our support. We reached out to the homeless in collaboration with UEM "Emerging Leaders' Programme" with the distribution of food and the offer of a health check through SOS. Our involvement went directly to the provision of food supply for 600 homeless in Kuala Lumpur and donation-in-kind of medicine. In anticipation of the Hari Raya celebration, we shared our joy and blessings with over 100 orphans by contributing food and clothing to cheer up their Raya spirits.

A contribution of Citrex Vitamin C was made for the programme "Kejohanan Kayak Akar Jerlun 2010" organised by the office of the Member of Parliament for Jerlun in collaboration with the Ministry of Youth & Sports and the Kayak Association of Malaysia. In Penang, a contribution to purchase food for the poor was managed by Liga Muslim Pulau Pinang. Our involvement with the programme "Cakna Kesihatan" with the community of Kampung Sungai Terah, Gua Musang, Kelantan was by way of medicine and the medical screening service by our SOS Team.

Vitamins were dispensed, and medical screening offered, for the poor and less fortunate in Kuching through the SOS Team at a Society for Kuching Urban Poor (SKUP) Soup Kitchen outreach event. A similar programme was also organised in Pos Pelantok, Perak benefitting the Orang Asli community with SOS, the International Islamic University of Malaysia (IIUM) and the Community Research for Orang Asli Development (COMRADE) club.

Medicine was provided for a mass circumcision event for boys aged 6 to 12 from poor background nationwide during a month long event arranged by Exco Pemuda UMNO in December 2010. A contribution of 200 pieces of T-Shirts to the "2010 IPC Powerlifting World Championships KL Paralympic" was made through the Malaysian Paralympic Council, to support the sports development of the people with special abilities.

EMERGENCY RELIEF AT HOME AND ABROAD

When the northern part of the country was flooded, we were quick to respond to "Program Prihatin Mangsa Banjir" in Kedah and Perlis by making donations directly to the flood victims. When floods struck hard in Pakistan we made a contribution of medical supplies at a handover ceremony for flood victims via Badan Amal dan Kebajikan Tenaga Isteri-Isteri (BAKTI).

A contribution of RM10,000 for humanitarian aid for the war stricken people of Palestine was made through Yayasan Belia Malaysia. Every single day we count ourselves fortunate to live in a peaceful country, free of the natural disasters we witness daily on the world news, and lucky to be in a position to offer some comfort and aid to those in plight.







ENVIRONMENT, SAFETY & HEALTH

THE GROUP'S QUALITY, ENVIRONMENT, SAFETY & HEALTH ("QESH") POLICY SUPERVISES QUALITY INITIATIVES AND OPERATIONAL RISKS ARISING FROM WORK ACTIVITIES IN A COST EFFECTIVE MANNER. DURING THE YEAR WE IMPLEMENTED THE 5S QUALITY SYSTEM, ONE OF THE MOST POWERFUL TECHNIQUES OF WORKPLACE HOUSEKEEPING THAT FOCUSES ON SIMPLIFYING THE WORK ENVIRONMENT, REDUCING WASTE, AND IMPROVING QUALITY AND SAFETY. COMPETENCY TRAINING WAS ARRANGED FOR STAFF TO LEARN ABOUT AND APPLY THE 5S QUALITY ELEMENTS.

Our environmental standards are designed to address the delicate balance between maintaining profitability and reducing environmental impact. With the commitment of our entire organisation we can achieve both objectives. Monitoring of electricity and water consumption and scheduled waste and non-scheduled waste disposal was tracked to gauge the impact of initiatives we have introduced to minimise usage and waste and report on the variances.

QESH awareness and communication programmes carried out in 2010 built upon the achievements secured in the previous year. They included the Healthy Living and staff awareness programmes on a variety of issues such as the benefits of exercise, weight management, quitting smoking and offered free eye and bone checks.

OUALITY

A 5S programme is a work system that reduces wasted time and materials; improves daily or shift startup times; reduces maintenance and downtime; improves efficiency and productivity; improves employee morale; and simplifies the work environment. The result of its application is improved quality, safety and productivity - all of which lead to improved profits. The 5S system's original Japanese elements Sort, Straighten, Shine, Standardise, Sustain has been translated into five English words and also into Bahasa Melayu for wider comprehension. These translations are tabulated together below:

The 5S Elements in translation

No.	Japanese	English	Melayu
1.	Seiri	Sort	Sisih
2.	Seiton	Set in order	Susun
3.	Seiso	Shine	Sapu
4.	Seiketsu	Standardise	Seragam
5.	Shitsuke	Sustain	Sentiasa Amal

Looking ahead, to sustain the programme next year and ensure all departments are implementing 5S properly, we will form a group of 5S auditors to ensure progress is maintained.

Under the Quality ISO 9001 Awareness Programme, a Quality Exhibition and an Innovative & Productive Talk by the Malaysian Productivity Corporation was arranged in-house.

ENVIRONMENT

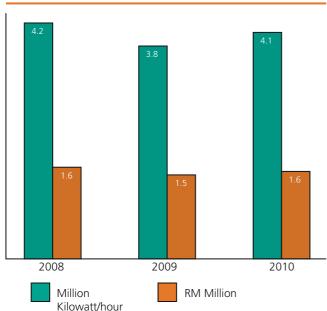
Environmental impact is becoming an important issue across the globe. Our environmental standards exist to help us minimise the ways in which our operations and processes negatively affect the environment causing adverse changes to air, water, or land and also to comply with applicable laws, regulations, and other environmentally oriented requirements. In April 2010, as part of the Company's Environmental ISO 14001 Awareness Programme, a Recycling Centre was set up with the advice of the Shah Alam City Council.

Electricity Consumption

Energy conservation in the organisation is being achieved through more efficient use of energy in conjunction with a reduction in energy consumption by turning out lights and switching off air conditioning to cut costs and improve environmental quality. In the year under review, despite a slight 6% increase in the amount of energy consumed at Bukit Raja, consumption was kept at an optimum level as a consequence of repairing chiller plant and changing compressor sets for two other chillers.

Bukit Raja Electricity Consumption

BUKIT RAJA ELECTRICITY CONSUMPTION 2008 - 2010



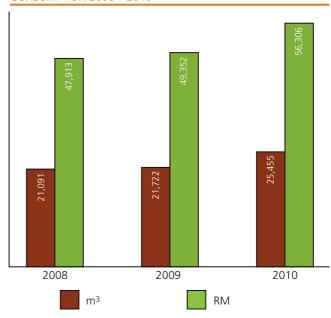
In Penang, clear signages reminding users to switch off facilities, machinery and equipment after operating was one of the factors that helped reduce electricity consumption by 6% in 2010. In Sabah, an awareness campaign saw electricity consumption decline to 340,760 kwh from 366,160kwh in the prior year – savings of RM15,030.

Water Consumption

At the same time, an awareness campaign on water conservation ensured water consumption was capped at a minimum level. However, an unavoidable increase of 17% was recorded due to the commencement of the Pharmaniaga Research Centre ("PRC") and the operation of a cooling tower.

Bukit Raja Water Consumption

BUKIT RAJA WATER CONSUMPTION 2008 – 2010



At our premises in Sarawak water consumption decreased by 77,182 m³ from 1,127,000 m³ in 2009. After experiencing a sharp reduction in water leakage in the preceding year in Sabah, following repiping work to rectify an underground leakage, there was a slight increase in usage due to construction work.

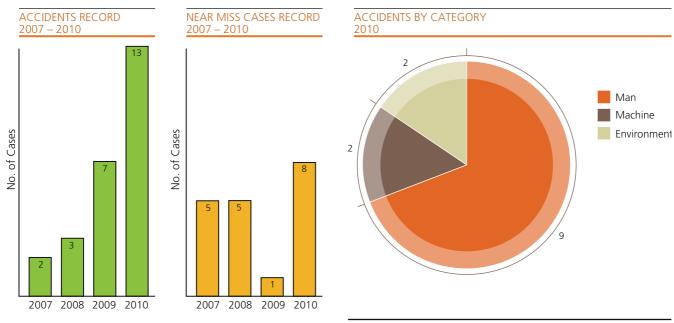


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SAFETY

Accident Incident Record Statistics are kept to track safety standards and remedial corrective measures. Due to an intensive awareness campaign on the importance of reporting, we recorded a higher number of near miss cases reported in Bukit Raja in 2010 compared to previous years. Of 21 incidences reported in 2010, 13 were accidents and 8 near miss cases.

Bukit Raja Accident Statistics







A group called "Workplace Inspection Team" was formed with the objective to enhance workplace safety, complying to Regulation 12 in the Occupational Safety and Health (OSH) Act, 1994 which recommends inspecting the place of work at least once in every three months.

HEALTH

We are concerned for the wellbeing of all our staff and have developed programmes to raise awareness of health and safety issues. The programmes by a wide selection of selected providers were run in-house to enable staff from all levels to participate and gain the maximum advantage. In 2010, the programmes offered included Bone Check, Eyecare Talk & Check Up Session, Fitness Talk & BMI Test, Tips on Quitting Smoking, Cigarette Alternative Giveaway, Weight Management, Fitness Circuit, Fruits Alert and Breast Cancer Talk & Check Up Session. Fitness Classes, a regular and popular feature, are currently running twice a week.

A comparison study made on staff Life Check reports compiled by the National Kidney Foundation for 2009 and 2010 has shown positive improvement. This involved checking blood pressure, blood glucose, cholesterol and a urine test. When tests revealed potential health problems staff were advised to refer to a doctor. Staff with high blood glucose and cholesterol results were advised to undergo a diet programme.

Wellness at work is very important as healthy staff work much better and are able to produce high quality products and services. Corporate wellness at work has been given growing attention over the last few years and is at the very heart of staff wellbeing and overall employee job satisfaction and fulfillment.

MOVING FORWARD

We strive to bring optimum value through our activities and inculcate the continual improvement culture among our staff throughout the organisation. Through well planned activities we can ensure a positive and significant impact to our quality management system, reflecting our mission to be a competitive and global player within the industry.







HUMAN CAPITAL DEVELOPMENT

THE PHARMANIAGA GROUP CELEBRATES EACH EMPLOYEE'S UNIQUE CONTRIBUTION TO THE ORGANISATION. THE STAFF ARE THE COMPANY'S MOST IMPORTANT ASSET. EACH INDIVIDUAL IS AN INVESTMENT WHICH WE NURTURE WITH COACHING, DEVELOPMENT AND ENGAGEMENT TO OPTIMISE THEIR EFFICIENCY AND PRODUCTIVITY. COMMITMENT FROM TOP MANAGEMENT CASCADES THROUGH ALL LEVELS, EMPOWERING OFFICERS WITH A MANDATE TO ENSURE THAT THE WORKFORCE IS PROPERLY EQUIPPED WITH RELEVANT RESOURCES TO MOVE PHARMANIAGA FORWARD TO MEET BUSINESS OBJECTIVES.

Pharmaniaga's Organisational Development Division ("ODD") philosophy focuses on getting the right people to do the right job at the right place at the right time. Our objective is to maximise the return on investment from the organisation's human capital and minimise financial risk. It is the responsibility of all managers in the corporate context to support, honour and value our people through dedicated programmes that promote education and improvement in both professional and personal skills. In 2010, the ODD focused on maintaining, securing, and utilising an efficient work force. With an effective workforce, organisations can soar.



LEARNING MANAGEMENT SYSTEM

A Learning Management System ("LMS") solution was rolled out to automate training administration, a vital step to ensure we operate more proficiently. We successfully launched LMS in March 2010. Staff are now able to self-enrol for training modules they wish to attend. They are also able to suggest new training programmes and schedule their individual learning plans for the whole year. The system's tracking and reporting capabilities allow staff and management together to review a planned learning path, track progress against milestones, review the record of achievement, and decide upon registration for additional courses.

LMS enables the immediate evaluation of staff skills and knowledge online and allows users to be evaluated prior, during, and upon completion of a course. Superiors can evaluate knowledge retention by periodically administering scheduled assessments via the LMS. They can view the record of results to determine success levels and the elapsed time taken to complete each course and its components. The great advantage of this innovation is the access and empowerment given to employees to design their own learning programmes and become more responsible for the pace of their own development and the advancement of their careers.

HIGH PERFORMANCE CULTURE (HPC) AND REFLECT, REVIEW AND RE-ENERGISE (3R)

Pharmaniaga has adopted a High Performance Culture ("HPC") initiative to ensure that everyone in the organisation espouses the same traits of Teamwork, Open Communication, Passion For Excellence, Integrity and Honesty and Care ("TOPIC"). HPC strives to create a platform for all employees to understand and uphold the Company's corporate values, incorporating them as a way of life.

Teambuilding sessions served to articulate our core values and broadcast the message about how each value exhibited by the individual was a reflection of the organisation as a whole. The sessions also inculcated a sense of belonging and commitment to shared values at work that enhance the individual's dedication in their daily work, building a sense of camaraderie between the participants through structured challenges.

Team development is a continuous process that needs constant follow-up to ensure that the morale of the team is maintained at high level. To strengthen the relationship binding team members and to motivate synergy, a 3R programme was introduced to help the employees to Reflect, Review and

Re-energise. Conducted in a fun and lively manner, the objective was to review the lessons learnt during the teambuilding programme. The session guided all staff to discern the attitude and behaviour of colleagues, reassess their action plans, chart a revised action plan, and to appraise themselves better through feedback from other participants.

Our employees have shown a strong desire and commitment to align their attitude and behaviour to reflect a culture of high performance, team spirit, perseverance and commitment. They have also learnt the art of camaraderie, open communication, teamwork orientation and cohesiveness. As the programme went on, the drive to succeed, overcome challenges and assume leadership was kindled and reinforced.

Survey results have shown that our commitment to ensure TOPIC values are being practised in everyday work and life has accelerated us towards achieving the Company's vision and mission. The core concepts of HPC and TOPIC unite the teams, sustain their level of energy, and support the Group initiative to achieve common objectives.







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BRANDING AND RECRUITMENT

The competition for talent continues to intensify and the need to attract and retain top performers remains key to business success. By distinguishing ourselves from others, underscoring our strengths and confirming our values, we ensure that our Company stays ahead of the pack and becomes an employer of choice. Our employer branding initiatives to universities and colleges involved our participation in Career Fairs and Career Talks to students, university convocations and awards such as Book Prize Award, the Pharmaniaga Excellence Award and Science & Technology Award.

In 2010, we participated in the following career talks and fairs:

- Petronas Technology University (UTP), Tronoh Perak in February and March 2010
- Pesta Kerjaya 2010 (CP10) in March 2010
- MCTF 2010, Mid Valley in April and October 2010
- Taylor's Career and Employment Fair in April 2010
- Karnival Kerjaya & Keusahawanan Graduan, PWTC in May 2010
- My Career Fair 2010, PWTC in November 2010
- SEGi Career Fair 2010 in November 2010
- 8th Penang Career & Postgraduate Expo in December 2010

E-recruitment Solutions was successfully launched during the Malaysian Career Trade Fair in Mid Valley, Kuala Lumpur between 8-10 October 2010. The objective of E-recruitment Solutions is to have a superior system to enhance organisational effectiveness through the simplification of the hiring process. The system includes managing, selecting and hiring through an online methodology that simplifies and accelerates the process. The E-recruitment Solutions also covers modules for job vacancy advertisements, applicant database, qualification matching and interview scheduling.

The rationale behind the E-recruitment facility is to create a talent bank via multiple online channels, including JobStreet, the corporate website, recruitment agencies, referrals and campus fairs, and is part of our online branding initiative. E-recruitment is able to automate interview scheduling for candidates through email or SMS. It enables the administrator to generate an automated report monitoring and analysing information covering the source of Curriculum Vitaes ("CVs"), the recruitment cycle time, the number of CVs received, the number of shortlisted, and lists of pre-screened, reserved, and rejected candidates.



REWARD AND RECOGNITION (R&R)

Pay for performance is the guiding principle of the Pharmaniaga Group's reward strategy and our goal is to provide premium actual total pay (base salary plus annual incentives and long-term incentives, if applicable) to employees who demonstrate sustained superior performance. We use a market-based approach for compensation. Base salaries are reviewed annually against the external market to ensure competitiveness. Annual salary increases awarded are differentiated based on performance and salary position against the market reference point for each job grade.

Key Performance Indicators (KPIs) and a Performance Management System ("PMS") are designed to support our performance-oriented culture. Company performance is a factor that drives the pay out of the PMS. Performance modifiers vary depending on results to closer correlate to the performance of specific businesses or functions. An additional individual performance factor is added to the final calculation.

Responding to the business imperatives we have transformed systems, processes and outputs towards real-time delivery with an interactive Human Resource transaction and delivery system that is flexible and responsive. The Employee Self Service empowers the workforce with tools that help them to review and change their personal information in real time. The system enables staff to view benefits, assess paychecks, and generally manage their own information securely all with the simplicity of an internet connection. Employees can request leave, submit claims, and apply for jobs in minutes.



OUTLOOK

TOPIC has been a core part of our philosophy since its inception. It is the framework to establish a truly HPC which is crucial to propel us to greater heights as we broaden our business interests across the region.

The core of our ODD mission is to acquire and develop professional, committed and caring employees. We achieve this goal by instilling in our people a high sense of ethics and professionalism while performing their roles and responsibilities and encouraging and appropriately rewarding those who attain their targets. We nurture our people to attain a higher level of achievement and enjoyment everyday, both on and off the job, and to cultivate a work-life balance which boosts productivity.





1 7-9 JAN

National Sales Convention & Launching of Commercial Division

2 11 MAR

Joint Venture between CliniFoods Sdn Bhd and Pharmaniaga Marketing Sdn Bhd for the latter to be the sole distributor for Biophine Syrup, a substitute drug to cure opioid dependency

3 27 MAY

12th Annual General Meeting at Concorde Hotel, Shah Alam

4 28-30 MAY

Pharmarace at Tasik Kenyir Terengganu, organised by the Sports and Recreation Club.

5 26 JUN

UEM Group Berhad and Boustead Holdings Berhad signed a sale and purchase agreement for the latter to acquire Pharmaniaga

6 **10** JUI

Pharmaniaga awarded with "Highest Growth in Profit Before Tax Over Three Years" in the Trading/Services, IPC & Technology Sector in the Edge Billion Ringgit Club Awards 2010

7 24 JUL

Invitational Golf Tournament held in Bangi Golf Course

8 30 JUL

Pharmaniaga Long Service Award Ceremony

9 17 AUG

Fund Analyst Briefing held at Pharmaniaga LifeScience, Puchong

10 30 AUG

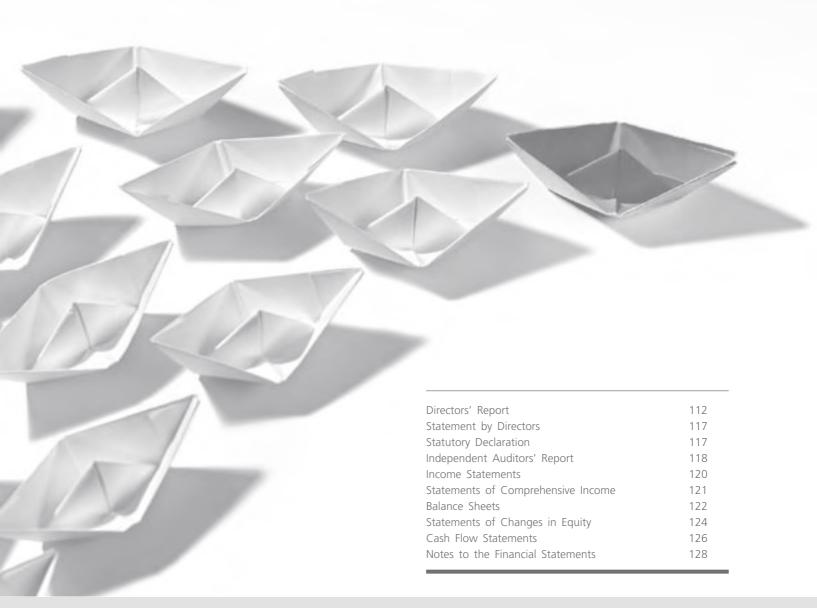
Pharmaniaga LifeScience awarded with full certification for Good Manufacturing Practice



AT THE END OF THE DAY, WE FULFILL
THE DEMANDS OF OUR CUSTOMERS BY
CHARTING TO THEIR OWN PERSONAL NEEDS.



2010 FINANCIAL STATEMENTS





The Directors are pleased to present their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiary companies are disclosed in Note 13 to the financial statements.

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

FINANCIAL RESULTS

	GROUP M'000	COMPANY RM'000
Profit for the financial year 3	30,310	13,060

DIVIDENDS

The dividends on ordinary shares paid and declared by the Company since the end of the last financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2009: – final 27 sen gross dividend less taxation of 25% paid on 15 July 2010 – special 10 sen gross dividend less taxation of 25% paid on 15 July 2010	21,663 8,023
In respect of the financial year ended 31 December 2010: – interim 10 sen gross dividend less taxation of 25% paid on 19 August 2010	8,023
	37,709

The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2010.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no shares or debentures issued during the financial year.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 35 to the financial statements.

DIRECTORS

The Directors who have held office during the year since the date of the last report are as follows:

Datuk Mohamed Azman bin Yahya Datuk Sulaiman bin Daud Emeritus Prof. Dato' Wira Ir. Dr. Mohammad Noor bin Hj. Salleh Oh Kim Sun Mohamad bin Abdullah

(resigned on 4 November 2010)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate emoluments received or due and receivable by the Director as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in Note 34 to the financial statements.

DIRECTORS' REPORT (cont'd)

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DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company and its related companies were as follows:

The Company

	Number of ordinary shares of RM1.00 each						
	As at 1.1.2010 Bought						
<u>Deemed interest</u>							
Datuk Mohamed Azman bin Yahya* Oh Kim Sun**	10,000 177,000	- -	- (80,000)	10,000 97,000			

- * Through his spouse's direct shareholding in the Company.
- ** Through his related corporations, 80,000 shares held through Sleuths Holdings Sdn. Bhd. and 17,000 shares held through Melval Holdings Sdn. Bhd.

Related Company

	<u>Nur</u>	Number of ordinary shares of RM0.25 each					
	As at 1.1.2010						
PLUS Expressways Berhad							
Datuk Mohamed Azman bin Yahya	40,000	-	-	40,000			

Other than as disclosed above, according to the register of Directors' shareholdings, none of the other Directors in office at the end of the financial year held any interests in shares and options over ordinary shares in the Company and its related companies during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

CURRENT ASSETS VALUATION

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

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

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

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

DIRECTORS' REPORT (cont'd)

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STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

CHANGING CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

HOLDING COMPANIES

The immediate and ultimate holding companies of the Company are UEM Group Berhad and Khazanah Nasional Berhad respectively, both of which are incorporated in Malaysia.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution dated 11 March 2011.

DATUK MOHAMED AZMAN BIN YAHYA

CHAIRMAN

DATUK SULAIMAN BIN DAUD

enwander

DIRECTOR



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We, Datuk Mohamed Azman bin Yahya and Datuk Sulaiman bin Daud, two of the Directors of Pharmaniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 120 to 193 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2010 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

Signed on behalf of the Board of Directors in accordance with a resolution dated 11 March 2011.

DATUK MOHAMED AZMAN BIN YAHYA

CHAIRMAN

DATUK SULAIMAN BIN DAUDDIRECTOR

enwander

STATUTORY DECLARATION

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

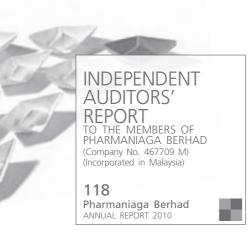


I, Roshidah binti Abdullah, being the officer primarily responsible for the financial management of Pharmaniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 120 to 193 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

ROSHIDAH BINTL ABDULLAH

Subscribed and solemnly declared by the abovenamed Roshidah binti Abdullah at Kuala Lumpur on 11 March 2011, before me.

COMMISSIONER FOR OATHS



REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Pharmaniaga Berhad on pages 120 to 193 which comprise the balance sheets as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 39.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of subsidiaries of which we have not acted as auditors, which are indicated in Note 13 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 40 on page 193 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

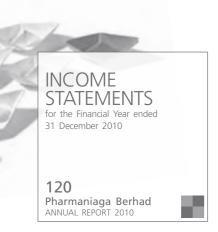
This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146) Chartered Accountants JAYARAJAN A/L U. RATHINASAMY

(No. 2059/06/12 (J)) Chartered Accountant

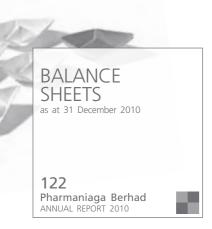
Kuala Lumpur 11 March 2011



		GR	OUP	COMPANY		
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	
Revenue	4	1,378,348	1,300,796	44,925	34,684	
Cost of sales	5	(1,174,102)	(1,096,962)	-	_	
Gross profit		204,246	203,834	44,925	34,684	
Other income		4,179	13,292	806	2,050	
Administrative expenses		(95,468)	(88,466)	(7,475)	(15,745)	
Selling and distribution costs		(26,029)	(28,023)	_	_	
Other expenses (include provision for impairment for						
slow moving and obsolete inventories of RM28 million)		(36,288)	(13,914)	(24,250)	(336)	
Finance costs		(4,043)	(4,467)	(946)	(2,957)	
Share of results from associated company		(1,135)	(820)	_	_	
Profit before zakat and taxation	6	45,462	81,436	13,060	17,696	
Zakat		(1,962)	_	_	_	
Taxation	8	(13,190)	(19,709)	-	_	
Net profit for the financial year		30,310	61,727	13,060	17,696	
Attributable to:						
Owners of the parent		30,384	60,191	13,060	17,696	
Non-controlling interest		(74)	1,536	-	_	
Net profit for the financial year		30,310	61,727	13,060	17,696	
Earnings per share (sen):						
– basic	9	28.40	56.26			
Dividend per share (sen):						
– interim gross dividend paid less taxation of 25%	10	10	_			
– final gross dividend paid less taxation of 25%	10	_	27			
- special gross dividend paid less taxation of 25%	10	_	10			



		GRO	UP	CON	IPANY
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net profit for the financial year Other comprehensive income, net of tax: Foreign currency translation		30,310	61,727	13,060	17,696
differences for foreign operations		(1,464)	4,070	-	-
Total comprehensive income,					
net of tax for the financial year		28,846	65,797	13,060	17,696
Attributable to:					
Owners of the parent		28,920	64,261	13,060	17,696
Non-controlling interest		(74)	1,536	-	_
		28,846	65,797	13,060	17,696



		GRO	DUP	CON	1PANY
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	276,976	277,515	_	_
Prepaid lease payments	12	2,950	3,033	_	_
Investments in subsidiary companies	13	_	_	185,823	184,523
Investments in associated companies	14	5,427	6,562	1,970	1,970
Intangible assets	15	28,820	28,820	_	-
Deferred tax assets	28	10,945	3,904	-	_
		325,118	319,834	187,793	186,493
<u>Current assets</u>					
Inventories	16	230,013	228,067	_	_
Trade receivables	17	114,045	128,743	_	_
Other receivables	18	13,250	11,675	136	201
Amounts due from subsidiary companies	19	_	_	140,240	167,509
Amounts due from related companies	20	9,614	15,699	_	_
Amounts due from associated companies	21	559	1,789	_	_
Tax recoverable		6,304	8,030	_	_
Fixed deposits	22	77,761	60,534	_	_
Cash and bank balances	22	25,216	43,874	836	2,708
		476,762	498,411	141,212	170,418
TOTAL ASSETS		801,880	818,245	329,005	356,911

		GRC)UP	CON	1PANY
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	27	106,978	106,978	106,978	106,978
Share premium		22,447	22,447	22,447	22,447
Exchange reserves		(3,885)	(2,421)	_	_
Retained earnings		296,304	303,629	36,702	61,351
Equity attributable to equity holders of the Company		421,844	430,633	166,127	190,776
Non-controlling interest		15,629	15,703	-	_
Total equity		437,473	446,336	166,127	190,776
Non-current liabilities					
Loans and borrowings	26	59	7,429	_	4,950
Deferred tax liabilities	28	1,530	3,131	_	_
Provision for defined benefit plan	29	3,175	2,449	-	_
		4,764	13,009	-	4,950
Current liabilities					
Trade payables	23	300,496	268,703	_	_
Other payables	24	24,524	23,058	572	1,285
Amount due to immediate holding company	25	97	428	97	428
Amounts due to subsidiary companies	19	_	_	162,178	122,420
Amounts due to related companies	20	_	100	_	58
Amounts due to associated companies	21	31	4,571	31	4,566
Tax payable	2.5	1,428	3,964	_	-
Loans and borrowings	26	33,067	58,076	_	32,428
		359,643	358,900	162,878	161,185
Total liabilities		364,407	371,909	162,878	166,135
TOTAL EQUITY AND LIABILITIES		801,880	818,245	329,005	356,911

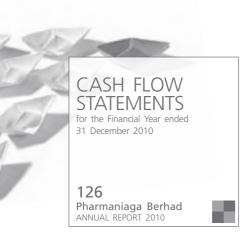


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		Equity at	Equity attributable to equity holders of the Company					
	Note	Share capital RM'000	Share premium RM'000	Exchange reserves RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
At 1 January 2010		106,978	22,447	(2,421)	303,629	430,633	15,703	446,336
Total comprehensive (expense)/ income for the financial year ended 31 December 2010		_	_	(1,464)	30,384	28,920	(74)	28,846
2009 final 27 sen gross dividend paid less taxation of 25%	10	_	_	-	(21,663)	(21,663)	_	(21,663)
2009 special 10 sen gross dividend paid less taxation of 25%	10	_	_	_	(8,023)	(8,023)	_	(8,023)
2010 interim 10 sen gross dividend paid less taxation of 25%	10	-	-	_	(8,023)	(8,023)	-	(8,023)
As at 31 December 2010		106,978	22,447	(3,885)	296,304	421,844	15,629	437,473
At 1 January 2009		106,978	22,447	(6,491)	265,101	388,035	14,167	402,202
Total comprehensive income for the financial year ended 31 December 2009		_	_	4,070	60,191	64,261	1,536	65,797
2008 final 27 sen gross dividend paid less taxation of 25%	10	_	-	-	(21,663)	(21,663)	_	(21,663)
As at 31 December 2009		106,978	22,447	(2,421)	303,629	430,633	15,703	446,336

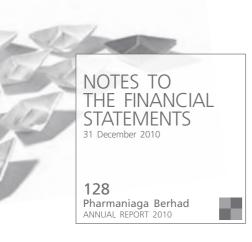


	Non-distributable		table Distributable		
	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total RM′000
At 1 January 2010		106,978	22,447	61,351	190,776
Total comprehensive income for the financial year ended 31 December 2010		_	_	13,060	13,060
2009 final 27 sen gross dividend paid less taxation of 25%	10	-	_	(21,663)	(21,663)
2009 special 10 sen gross dividend paid less taxation of 25%	10	_	_	(8,023)	(8,023)
2010 interim 10 sen gross dividend paid less taxation of 25%	10	-	-	(8,023)	(8,023)
At 31 December 2010		106,978	22,447	36,702	166,127
At 1 January 2009		106,978	22,447	65,318	194,743
Total comprehensive income for the financial year ended 31 December 2009		_	_	17,696	17,696
2008 final 27 sen gross dividend paid less taxation of 25%	10	-	-	(21,663)	(21,663)
At 31 December 2009		106,978	22,447	61,351	190,776



	GR	OUP	COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOW OPERATING ACTIVITIES				
Cash receipts from customers	1,368,004	1,353,784	_	_
Cash payments to suppliers	(1,151,349)	(1,151,237)	_	_
Cash payments to employees and for expenses	(123,187)	(108,243)	(6,827)	(17,939)
Cash receipts from/(payment to) related companies	7,595	11,655	(5,498)	(998)
Advances from subsidiary companies	_	-	47,768	72,647
Cash from operations	101,063	105,959	35,443	53,710
Interest paid	(3,834)	(3,398)	_	_
Profit on Murabahah Commercial Paper paid	(203)	(486)	(203)	(486)
Tax paid	(24,121)	(28,170)	_	_
Tax refund	_	840	_	_
Interest received	1,027	871	-	_
Net cash generated from operating activities	73,932	75,616	35,240	53,224
CASH FLOW INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	180	159	_	_
Proceeds from disposal of non current assets held for sale	1,000	55,541	_	_
Purchase of property, plant and equipment	(7,420)	(32,008)	_	_
Dividend received	_	_	39,000	21,990
Net cash (used in)/generated from investing activities	(6,240)	23,692	39,000	21,990

	GROUP		COM	PANY
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOW FROM FINANCING ACTIVITIES				
Dividends paid	(37,709)	(21,663)	(37,709)	(21,663)
Redemption of Murabahah CP/MTN	(29,000)	(31,000)	(29,000)	(31,000)
Drawdown/(repayments) of short term borrowings	6,665	(12,566)	_	_
Repayments of term loan	(8,550)	(19,800)	(8,550)	(19,800)
Term loan interest paid	(140)	(918)	(140)	(918)
Profit on Murabahah Medium Term Notes paid	(713)	(1,388)	(713)	(1,388)
Net used in financing activities	(69,447)	(87,335)	(76,112)	(74,769)
CHANGE IN CASH AND CASH EQUIVALENTS	(1,755)	11,973	(1,872)	445
Foreign exchange differences	324	(1,738)	_	_
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	104,408	94,173	2,708	2,263
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	102,977	104,408	836	2,708
Cash and cash equivalents comprise:				
Fixed deposits	77,761	60,534	_	_
Cash and bank balances	25,216	43,874	836	2,708
Cash and cash equivalents	102,977	104,408	836	2,708



1 GENERAL INFORMATION

The Company is an investment holding company. The principal activities of its subsidiary companies are disclosed in Note 13 to the financial statements.

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

The addresses of the registered office and principal place of business of the Company are as follows:

Registered office:

19-2 Mercu UEM Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur

Principal place of business:

7, Lorong Keluli 1B Kawasan Perindustrian Bukit Raja Selatan Seksyen 7 40000 Shah Alam Selangor Darul Ehsan

The immediate and ultimate holding companies of the Company are UEM Group Berhad and Khazanah Nasional Berhad respectively, both of which are incorporated in Malaysia.

The financial statements are presented in Malaysian Ringgit and rounded to the nearest thousand, unless otherwise stated.

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and Company have been prepared under the historical cost convention as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of reserves and expenses during the financial year. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(i) Changes in accounting policies

The new/revised accounting standards and amendments to published standards effective and applicable for the Group's and the Company's financial year beginning 1 January 2010 are as follows:

- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- FRS 7 Financial Instruments: Disclosures
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations
- FRS 101 Presentation of Financial Statements
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

Improvements to the following FRSs:

- FRS 8 Operating Segments
- FRS 110 Events after the Reporting Period
- FRS 116 Property, Plant and Equipment
- FRS 123 Borrowing costs
- FRS 136 Impairment of assets
- FRS 139 Financial Instruments: Recognition and Measurement



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- (a) Basis of preparation (cont'd)
 - (i) Changes in accounting policies (cont'd)

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretation. All standards, amendments and interpretations adopted by the Group and the Company require retrospective application other than:

• IC Interpretation 10 – Applied prospectively to goodwill from the date it first applied FRS 136 and to investments in financial assets carried at cost from the date it first applied the measurement criteria of FRS 139

A summary of the impact of the new accounting standards, amendments to published standards and interpretations to existing standards on the financial statements of the Group and Company is set out below:

- (a) FRS 8 Operating Segments (effective for annual periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As the Group's chief operating decision maker, the Exco/Managing Director of the Company, relies on internal reports which are similar to those currently disclosed externally, no further segmental information disclosures will be necessary.
- (b) FRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2010). FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, interest rate risk, foreign currency exchange risk and market risk. The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provision, hence the new disclosure have not been applied to the comparatives. The new disclosures are included in the Group's and the Company's financial statements for the financial year ended 31 December 2010.
- (c) Amendments to FRS 101 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendment to FRS 101 requires changes in the format of the financial statements including the amounts directly attributable to shareholders in the primary statements, but does not effect the measurement of reported profit or equity. The Group has elected to show other comprehensive income in a separate statement from the income statement and hence, all owner changes in equity are presented in the consolidated statement of changes in equity, whereas non-owner changes in equity are shown in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the amendment to FRS 101.

The adoption of other interpretations and revisions to existing standards mandatory for annual periods beginning on or after 1 January 2010 did not result in significant changes in the reported profit or equity or on the disclosures in the financial statements.

A number of new standards, amendments to new standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group.

(b) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including special purpose entities) in which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

(ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Associated companies

Associated companies are all entities in which the Group has significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not the power to exercise control over those policies. Investments in associated companies are accounted for using the equity method accounting and are initially recognised at cost. The Group's investment in associated company includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group's interest is reduced to nil and does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the economic entities of the Group and its associated companies are eliminated to the extent of the Group's interest in the associated company; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(c) Segment reporting

With effect from 1 January 2010, the Group determines and presents operating segments based on information that is internally provided to the Exco/Managing Director of the Company, who is the Group's chief operating decision maker, which are similar to those currently disclosed externally.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognized in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

The principal exchange rates used at balance sheet date are as follows:

	2010 RM	2009 RM
1 US Dollar	3.08	3.42
1 Euro	4.08	4.92
100 Indonesian Rupiah	0.03	0.03



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Foreign currency translation (cont'd)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Company are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet:
- income and expenses for each income statement are translated at average exchange rates (unless this average
 is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in
 which case income and expenses are translated at the rates on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

When a foreign operation is partially disposed off or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

(e) Property, plant and equipment (cont'd)

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

Freehold land is not depreciated as it has an infinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

The principal annual depreciation rates used are as follows:

Freehold buildings	2%
Leasehold buildings	2% - 5%
Motor vehicles	14% - 50%
Plant & machinery	10%
Furniture & fittings	6% - 20%
Renovation	5% - 20%
Equipment	7% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(j)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

(f) Prepaid lease payments

Payment for rights to use land over a predetermined period is classified as prepaid lease payments and is stated at cost less amount amortised and accumulated impairment losses.

The prepaid lease payments are amortised on a straight-line basis over the lease period, which is similar to the depreciation policy when they were classified as property, plant and equipment.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Investments

Investments in subsidiary and associated companies are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(j) on impairment of assets.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiary and associated companies over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisitions of subsidiary companies is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocations are made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to the operating segment. See accounting policy Note 2(j) on impairment of assets.

(ii) Project development expenditure

All expenses relating to the development of the pharmaceutical business under concession is capitalised and amortised over the concession period of 15 years, which is the number of years that the benefit is expected to be derived out of the project, unless the Directors consider that a continuing benefit will not accrue.

Where an indication of impairment exists, the carrying amount of the project development expenditure is assessed and written down immediately to their recoverable amount. See accounting policy Note 2(j) on impairment of assets.

(iii) Brand

Brand represents the brand name of a product line acquired by the Group during the financial year. Brand has an indefinite useful life. Brand is tested annually for impairment and carried out at cost less accumulated impairment losses. See accounting policy Note 2(j) on impairment of assets.

(i) Research and development

Research expenditure is recognised as an expense when incurred. Cost incurred on development projects are recognised as development assets to the extent that such expenditure is expected to generate future economic benefits and only if the cost can be measured reliably.

Development costs initially recognised as an expense are not recognised as an asset in the subsequent years. Capitalised development costs are amortised on a systematic basis over their expected useful lives.

The carrying amount of development cost is reviewed annually and written down immediately to their recoverable amount where an indication of impairment exists. See accounting policy Note 2(j) on impairment of assets.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods are determined using the weighted average method whilst costs of work-in-progress and raw materials are determined using the first-in, first-out (FIFO) method.

Cost includes the actual cost of materials and incidental cost incurred in bringing the inventories to store. As for inhouse manufactured finished goods and work-in-progress, labour and appropriate production overheads (based on normal operating capacity) are also included.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and applicable variable selling expenses. In arriving the net realisable value, due allowances have been made by Directors for all damages, obsolete and slow moving items. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(I) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(m) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(n) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

(p) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior years. The defined contribution plan of the Group relates to the contribution to the Employee Provident Fund, the national defined contribution plan.

The Group's contributions to defined contribution plans are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined benefit plan

The Group operates a defined benefit plan for employees of the Group, the assets of which are held in a separate trustee-administered fund. This fund is funded by payments from the relevant Group companies. The Group's retirement obligation is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the defined benefit obligation at the date.

These gains or losses are recognised on a straight line basis over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in benefit payable of an existing plan are required to be amortised over the period until the benefits concerned become vested.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(s) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods and services

Revenue relating to sale of goods is recognised upon the transfer of risks and rewards of ownership of the goods net of returns and discounts. Revenue from services is recognised upon services rendered.

(ii) Contracts

Revenue from system and equipment design, planning, installation and commissioning contracts is recognised based on the percentage of completion method; the stage of completion is measured on the proportion of contract costs incurred for work performed to date over the estimated total contract costs.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable of recovery. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenues, the expected loss is recognised as an expense immediately. Where costs incurred on such contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amounts due from customers on contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on contracts.

(s) Revenue recognition (cont'd)

(iii) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(iv) Dividend income

Dividend income from subsidiary companies is included in the income statement when the right to receive payment is established and no significant uncertainty exists as regards to its receipt. Interim dividends from subsidiary companies are recognised when they are declared and final dividends when they are approved by shareholders in general meeting.

(t) Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Financial assets

Classification

The Group only classifies its financial assets in the loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-forsale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(w) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty;
 granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (a) adverse changes in the payment status of borrowers in the portfolio; and
 - (b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Zakat

The Group recognised its obligations towards the payment of zakat on business in the income statements. Zakat payment is an option and recognised as and when the Group has a zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when a company has been in operation for at least 12 months, i.e. for the period known as "haul".

Zakat rates enacted or substantively enacted by the balance sheet date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for 2010 is 2.5% of the zakat base. The zakat base of the Group is determined based on the profit after tax of eligible companies within the Group after deducting certain non operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the year in which it is incurred.

(y) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

(z) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements are continuously evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (cont'd)

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(j). The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These calculations require use of estimates as set out in Note 15.

For the purposes of the value-in-use calculations in respect of the goodwill, the Group has taken into account the potential economic benefits of contracts to be awarded by the Government. The Group is still negotiating for some of these contracts. The goodwill referred to has been allocated to the cash generating unit relating to medical products and services. The Board of Directors believe that it is reasonable to assume that the Company will be successful in being awarded some of these contracts. Refer to Note 15 on the impairment assessment of goodwill.

4 REVENUE

	GR	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	
Revenue consists of:					
Sale of goods	1,372,867	1,290,383	_	_	
Contracts	5,306	10,413	_	_	
Rendering of services	175	_	_	_	
Management fees	_	_	5,925	12,694	
Dividend income	-	_	39,000	21,990	
	1,378,348	1,300,796	44,925	34,684	

5 COST OF SALES

	G	ROUP
	2010 RM'000	2009 RM'000
Cost of sales consists of:		
Cost of inventories sold Contracts costs	1,170,058 4,044	1,088,517 8,445
	1,174,102	1,096,962

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6 PROFIT BEFORE ZAKAT AND TAXATION

	GRO	UP	COM	1PANY
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before zakat and taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
- statutory				
– current	278	228	75	40
– others	92	78	_	_
– under provision in prior year	_	19	_	_
Amortisation of project development expenditure	_	735	_	_
Property, plant and equipment				
- depreciation	14,080	13,847	_	_
– written-off	21	856	_	_
Amortisation of prepaid lease payments	83	83	_	_
Gain on disposal of property, plant and equipment	(72)	(158)	_	_
Gain on disposal of non current assets held for sale		(9,569)	_	_
Directors' remuneration				
– fees payable to directors	342	384	270	312
– fees payable to holding company	_	17	_	17
– salaries, bonuses and other emoluments	121	107	121	107
Finance cost				
– interest expense on term loan	3,952	4,091	140	918
– interest expense on bankers' acceptance	91	73	_	_
– profit on Murabahah Commercial Paper	_	_	272	646
– profit on Murabahah Medium Term Notes	_	_	534	1,388
Interest income	(1,028)	(869)	(806)	(2,051)
Provision for impairment of receivables	2,553	171	24,131	_
Write back of provision for impairment of receivables	(90)	(1,889)	_	_
Bad debts written off	_	374	_	_
Provision for impairment of slow moving and obsolete inventories	28,234	5,020	_	_
Write back of provision for impairment of				
slow moving and obsolete inventories	(234)	_	_	_
Inventories written off	211	3,013	_	_
Rental of premises	2,288	1,571	2	17
Rental of equipment	706	586	95	112
Research and development expenses	3,041	1,932	_	_
Government grant	(1,809)	(944)	_	_
Gain on foreign currency exchange	(877)	(1,773)	_	1
Rental income	(13)	(13)	_	_
Impairment of goodwill	_	1,800	_	_
Employee benefit expenses (Note 7)	61,958	59,445	5,262	9,866

The estimated monetary value of benefits provided to Directors of the Company during the financial year amounted to RM5,400 (2009: RM15,000).

7 EMPLOYEE BENEFIT EXPENSES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries and bonus	43,933	40,561	3,721	5,853
Defined contribution plan	5,780	4,476	394	734
Defined benefit plan	862	918	_	_
Short term employee benefits	10,920	12,242	756	2,103
	61,495	58,197	4,871	8,690
Directors' remuneration	463	1,248	391	1,176
	61,958	59,445	5,262	9,866

The number of employees of the Group and Company at the end of the financial year is 1,814 and 34 (2009: 1,791 and 93) respectively.

8 TAXATION

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax:				
– Malaysian income tax	19,914	18,867	_	_
– foreign income tax	1,908	1,833	_	_
 under/(over) provision in prior years 	10	(228)	_	_
Deferred taxation (Note 28)				
- reversal of net temporary differences	(6,046)	(763)	_	_
– over provision in prior years	(2,596)	-	-	_
	13,190	19,709	_	_

The provision for current year's taxation for the Group is made by applying the statutory tax rate on the respective companies' chargeable income.

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8 TAXATION (cont'd)

The reconciliation between the statutory and effective tax expenses is as follows:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before zakat and taxation	45,462	81,436	13,060	17,696
Income tax at rate of 25% (2009: 25%)	11,366	20,359	3,265	4,424
Tax effect in respect of:				
Non-allowable expenses	4,752	5,190	9,595	2,906
Income not subject to tax	(386)	(4,931)	(12,860)	(7,330)
Effect of different tax rate of a foreign subsidiary	44	52	_	_
Utilisation of current year's reinvestment allowances	_	(669)	_	_
Utilisation of previously unrecognised capital allowances	_	(64)	_	_
Under(over) provision of income tax in prior years	10	(228)	_	_
Over provision of deferred tax in prior years	(2,596)	_	-	-
	13,190	19,709	_	_

9 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders of RM30,384,000 (2009: RM60,191,000) and the weighted average number of ordinary shares in issue during the year of 106,978,000 (2009: 106,978,000).

	GROUP		
	2010 RM'000	2009 RM'000	
Net profit attributable to shareholders (RM'000)	30,384	60,191	
Weighted average number of ordinary shares in issue ('000)	106,978	106,978	
Basic earnings per share (sen)	28.40	56.26	

10 DIVIDENDS

During the financial year, dividends proposed, declared and paid in respect of ordinary shares for the financial year are as follows:

	GROUP AND COMPANY			
	2010 2009			2009
		Amount of A		
	Per share dividend		Per share	dividend
	sen	RM'000	sen	RM'000
Interim gross dividend paid less taxation of 25%	10	8,023	_	_
Final gross dividend paid less taxation of 25%	_	_	27	21,663
Special gross dividend paid less taxation of 25%	-	_	10	8,023
		8,023		29,686

The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2010.

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Furniture, fittings, renovation, and equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Capital work-in- progress RM'000	Total RM'000
Group						
At 31 December 2010						
Cost Accumulated depreciation	203,920 (41,033)	64,099 (42,093)	6,180 (4,687)	125,220 (39,437)	5,420 (613)	404,839 (127,863)
Accumulated depreciation	(41,055)	(42,093)	(4,007)	(33,437)	(013)	(127,003)
Net book value	162,887	22,006	1,493	85,783	4,807	276,976
At 31 December 2009						
Cost	204,485	62,484	6,104	114,826	5,516	393,415
Accumulated depreciation	(37,128)	(38,160)	(5,135)	(35,477)	_	(115,900)
Net book value	167,357	24,324	969	79,349	5,516	277,515

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11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land and buildings RM'000	Furniture, fittings, renovation, and equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Capital work-in- progress RM'000	Total RM'000
Movements in net book value						
At 1 January 2010	167,357	24,324	969	79,349	5,516	277,515
Additions	141	2,656	565	10,386	15	13,763
Disposals	-	(50)	(58)	_	_	(108)
Written off	(12)	(9)	- (400)	(2.052)	- (607)	(21)
Depreciation charged Foreign exchange adjustment	(4,269) (330)	(4,822) (93)	(400) 417	(3,952) –	(637) (87)	(14,080) (93)
At 31 December 2010	162,887	22,006	1,493	85,783	4,807	276,976
At 1 January 2009	166,908	24,185	1,176	61,694	3,841	257,804
Additions	4,650	4,557	171	22,591	1,675	33,644
Disposals	_	_	_	(1)	_	(1)
Written off	(120)	(381)	_	(355)	_	(856)
Depreciation charged	(4,310)	(4,493)	(451)	(4,593)	_	(13,847)
Foreign exchange adjustment	229	456	73	13	_	771
At 31 December 2009	167,357	24,324	969	79,349	5,516	277,515

11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Freehold land RM'000	Buildings on freehold land RM'000	Buildings on long leasehold land RM'000	Buildings on short leasehold land RM'000	Total RM'000
25,254 _	113,362 (12,215)	61,692 (28,080)	3,612 (738)	203,920 (41,033)
25,254	101,147	33,612	2,874	162,887
25,323	113,564	61,986	3,612	204,485
_	(11,083)	(25,386)	(659)	(37,128)
25,323	102,481	36,600	2,953	167,357
25,323 67 - - (136)	102,481 - - (1,225) (109)	36,600 74 (12) (2,965) (85)	2,953 - - (79) -	167,357 141 (12) (4,269) (330)
25,254	101,147	33,612	2,874	162,887
25,190	100,015	38,672	3,031	166,908
_	3,613	1,037	_	4,650
_	(4.220)		(7.0)	(120)
133	(1,229) 82	(3,003) 14	(78)	(4,310) 229
25,323	102,481	36,600	2,953	167,357
	25,254 - 25,254 25,323 - 25,323 67 - (136) 25,254 25,190 - - 133	25,254 113,362 - (12,215) 25,254 101,147 25,323 102,481 - (1,225) (136) (109) 25,254 101,147 25,190 100,015 - 3,613 - (1,229) 133 82	Freehold land RM'000 RM'000 RM'000 25,254 113,362 61,692 (28,080) 25,254 101,147 33,612 25,323 113,564 61,986 (25,386) 25,323 102,481 36,600 25,323 102,481 36,600 25,323 102,481 36,600 25,323 102,481 36,600 67 - 74 (12) (1,225) (2,965) (136) (109) (85) 25,254 101,147 33,612 25,190 100,015 38,672 - 3,613 1,037 - (120) (1,229) (3,003) 133 82 14	Treehold land RM'000 RM

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11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Furniture and fittings RM'000	Renovation RM'000	Equipment RM'000	Total RM'000
Group				
Analysis of furniture, fittings, renovation and equipment:				
At 31 December 2010				
Cost Accumulated depreciation	18,967 (13,622)	15,516 (11,513)	29,616 (16,958)	64,099 (42,093)
Net book value	5,345	4,003	12,658	22,006
At 31 December 2009				
Cost	18,407	14,667	29,410	62,484
Accumulated depreciation	(13,234)	(10,065)	(14,861)	(38,160)
Net book value	5,173	4,602	14,549	24,324
Movements in net book value				
At 1 January 2010	5,173	4,602	14,549	24,324
Additions	326	1,129	1,201	2,656
Disposal	_	(50)	-	(50)
Written off	(264)	(4.460)	(9)	(9)
Depreciation charged Foreign exchange adjustment	(361) 207	(1,460) (218)	(3,001) (82)	(4,822) (93)
As at 31 December 2010	5,345	4,003	12,658	22,006
At 1 January 2009	5,414	2,779	15,992	24,185
Additions	180	2,795	1,582	4,557
Written off	(41)	(284)	(56)	(381)
Depreciation charged	(380)	(688)	(3,425)	(4,493)
Foreign exchange adjustment	_	_	456	456
As at 31 December 2009	5,173	4,602	14,549	24,324

11 PROPERTY, PLANT AND EQUIPMENT (cont'd))

In prior year, certain property, plant and equipment of a subsidiary company with net book value totalling of RM1,598,212 have been pledged as collateral for borrowings as explained in Note 26.

Borrowing costs of RM954,260 (2009: RM2,183,059), incurred specifically for the construction of the Small Volume Injectable plant and purchases of related equipment were capitalised during the financial year.

12 PREPAID LEASE PAYMENTS

	Long term RM'000	Short term RM'000	Total RM'000
Group			
At 31 December 2010			
Cost Accumulated amortisation	2,128 (406)	1,689 (461)	3,817 (867)
Net book value	1,722	1,228	2,950
At 31 December 2009			
Cost Accumulated amortisation	2,128 (374)	1,689 (410)	3,817 (784)
Net book value	1,754	1,279	3,033
Movements in net book value			
At 1 January 2010 Amortisation charged for the year	1,754 (32)	1,279 (51)	3,033 (83)
At 31 December 2010	1,722	1,228	2,950
At 1 January 2009 Amortisation charged for the year	1,786 (32)	1,330 (51)	3,116 (83)
At 31 December 2009	1,754	1,279	3,033

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13 INVESTMENTS IN SUBSIDIARY COMPANIES

	CC	MPANY
	2010 RM′000	2009 RM'000
Unquoted shares, at cost Add: Increase in investment in unquoted shares	184,523 1,300	184,523 –
	185,823	184,523

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effect 2010 %	ive equity interest 2009 %	Principal activities
Subsidiary companies of the Company				
Pharmaniaga Manufacturing Berhad	Malaysia	100	100	Manufacture and sale of pharmaceutical products
Pharmaniaga LifeScience Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of pharmaceutical products
Pharmaniaga Logistics Sdn. Bhd.	Malaysia	100	100	Purchase, storage and distribution of pharmaceutical and medical products to government hospitals and private institutions
Pharmaniaga Marketing Sdn. Bhd.	Malaysia	100	100	Marketing of pharmaceutical products
Pharmaniaga Research Centre Sdn. Bhd.	Malaysia	100	100	Conduct research and development of pharmaceutical products
Insurgress Sdn. Bhd.	Malaysia	100	100	Dormant
Safire Pharmaceuticals (M) Sdn. Bhd.	Malaysia	100	100	Dormant; ceased operations during the year
Pharmaniaga International Corporation Sdn. Bhd.	Malaysia	100	100	Investment holding

13 INVESTMENTS IN SUBSIDIARY COMPANIES (cont'd)

Name of company	Country of incorporation	Effec 2010 %	tive equity interest 2009 %	Principal activities
Subsidiary companies of the Company (cont'd))				
Pharmaniaga Pegasus (Seychelles) Co. Ltd. *	Republic of Seychelles	100	100	Dormant
Pharmaniaga Biovention Sdn. Bhd.	Malaysia	100	100	Dormant
Subsidiary company of Pharmaniaga Logistics Sdn. Bhd.				
Pharmaniaga Biomedical Sdn. Bhd.	Malaysia	100	100	Supply, trading and installation of medical and hospital equipment
Subsidiary company of Pharmaniaga International Corporation Sdn. Bhd.				
PT Millennium Pharmacon International Tbk *	Indonesia	55	55	Distribution and trading of pharmaceutical products, food supplements and diagnostic products in Indonesia

^{*} The financial statements of these companies are audited by firms other than the auditors of the Company.

In prior year, certain investment in subsidiary companies have been pledged as collateral for borrowings as explained in Note 26.

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14 INVESTMENTS IN ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2010 RM′000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares, at cost	1,970	4,580	1,970	4,580
Group's share of post acquisition profit	3,457	4,592	-	_
	5,427	9,172	1,970	4,580
Less: Accumulated impairment losses	-	(2,610)	_	(2,610)
	5,427	6,562	1,970	1,970

A settlement agreement dated 14 December 2009 was entered between the Company and Amcare Labs International Inc. ("ALI") for the disposal of the Company's entire 40% equity interest in Amcare Labs (M) Sdn Bhd ("ALM") to ALI for a consideration of RM1.00 ("Disposal"). Disposal was completed on 24 November 2010.

The Group's share of revenue, profit, assets and liabilities of associated companies are as follows:

	GRC	UP
	2010 RM'000	2009 RM'000
Results		
Revenue	5,826	9,444
Losses after tax	(1,135)	(820)
Assets and liabilities		
Non-current assets	5,120	6,267
Current assets	3,727	3,648
Current liabilities	(3,420)	(3,353)
Net assets	5,427	6,562

The Group's share of losses of associated companies that have not been recognised amounted to nil for the current financial year (2009: RM422,595) and RM5,241,000 (2009: RM5,241,000) cumulatively as at 31 December 2010 as they have exceeded the Group's cost of investments and advances and thus the Group has no further financial obligation beyond these exposures.

14 INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

Details of the associated companies are as follows:

Name of company	Country of incorporation	Effect 2010 %	tive equity interest 2009 %	Principal activities
Associated companies of the Company				
Pharmacare Asia Holdings (Cayman) Limited	Cayman Island	49	49	Dormant
Amcare Labs Malaysia Sdn. Bhd.	Malaysia	-	40	Disposed
Forte Tech Solutions Sdn. Bhd.	Malaysia	30	30	Provision of information technology solutions and systems support services

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15 INTANGIBLE ASSETS

	Goodwill RM'000	Project development expenditure RM'000	Brand RM'000	Total RM'000
Group				
Cost				
At 1 January/31 December 2010	39,248	9,371	1,000	49,619
At 1 January/31 December 2009	39,248	9,371	1,000	49,619
Accumulated amortisation/impairment				
At 1 January/31 December 2010	10,428	9,371	1,000	20,799
At 1 January 2009				
Accumulated amortisation	8,628	8,636	1,000	18,264
Amortisation charged	-	735	_	735
Impairment loss	1,800	_	_	1,800
At 31 December 2009	10,428	9,371	1,000	20,799
Net book value				
At 31 December 2010	28,820		_	28,820
At 31 December 2009	28,820	_	_	28,820

15 INTANGIBLE ASSETS (cont'd)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented below:

		2010			2009	
	Pharmaceutical trading, marketing and distribution RM'000	Medical products and services RM'000	Total RM'000		Medical products and services RM'000	Total RM'000
Malaysia Indonesia	15,901 3,066	9,853 –	25,754 3,066	15,901 3,066	9,853 –	25,754 3,066
	18,967	9,853	28,820	18,967	9,853	28,820

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Directors covering a five-year period.

The Directors had conducted a test on the goodwill of its pharmaceutical trading, marketing and distribution and medical products and services CGUs.

Pharmaceutical trading, marketing and distribution

The key assumptions for the recoverable amounts of this CGU are management's estimates of net cash flows over 5 years based on a growth rate of 9.2% and at a pre-tax discount rate of 7.7%. Management considers that the potential economic benefits from this CGU to be sufficient and no impairment loss to be recognised for the financial year.



15 INTANGIBLE ASSETS (cont'd)

Medical products and services

Key assumptions used for value-in-use calculations:

	2010	2009
Gross margin ^{1 (%)}	18.0	18.0
Discount rate ^{2 (%)}	10.0	10.0
Local university project ³ (RM'000)	10,400	80,206
Other institution project ⁴ (RM'000)	20,000	_
General hospital project ⁵ (RM'000)	134,400	_

- Budgeted gross margin
- ² Pre-tax discount rate applied to the cash flow projections
- Expected revenue to be generated upon securing a contract to supply and install medical equipment to a local university
- ⁴ Expected revenue to be generated upon securing a contract to supply and install medical equipment to other institution
- Expected revenue to be generated upon securing a contract to supply and install medical equipment to a general hospital

The assumptions have been used for the analysis of each CGU within the business segment. The Directors have determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Management's judgement is involved in estimating the future cash flows of trading and installation of medical and hospital equipment of a subsidiary. The "value in use" is sensitive to the projected cash flows during the explicit projection period.

Any reasonable possible change in the key assumptions used will not result in an additional impairment loss, other than if management is unsuccessful in securing the supply and installation of medical equipment contract in respect of the general hospital, it will cause an additional impairment loss of approximately RM1.56 million to be recognised.

16 INVENTORIES

	G	GROUP	
	2010 RM'000	2009 RM'000	
Raw materials	13,365	14,974	
Packaging materials	4,782	3,123	
Work-in-progress	1,421	990	
Finished goods	210,445	208,980	
	230,013	228,067	

In prior year, certain inventories of a subsidiary company have been pledged as collateral for borrowings as explained in Note 26.

17 TRADE RECEIVABLES

	GROUP	
	2010 RM′000	2009 RM'000
Trade receivables Amounts due from customers on contracts (Note 30) Less: Provision for impairment of trade receivables	113,920 5,742 (5,617)	127,360 6,547 (5,164)
Trade receivables (net)	114,045	128,743

The credit terms of trade receivables range from 30 days to 120 days (2009: 30 days to 120 days).

In prior year, certain trade receivables of a subsidiary company have been pledged as collateral for borrowings as explained in Note 26.

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17 TRADE RECEIVABLES (cont'd)

As at 31 December 2010, trade receivables of RM83.1 million (2009: RM103.1 million) were past due their contractual payment date but not impaired. These relate to a number of external parties where there is no expectation of default based on historical dealings. The age of analysis of these trade receivables is as follows:

	(GROUP	
	2010 RM'000	2009 RM'000	
Less than three months	69,853	80,712	
Between three to six months	5,211	9,084	
Between six months and one year	4,310	7,969	
Greater than one year	3,713	5,352	
	83,087	103,117	

As at 31 December 2010, trade receivables of RM5.6 million (2009: RM5.2 million) were impaired and provided for. The individually impaired receivables mainly relate to private customers, which are in unexpectedly difficult economic situations. The aging of these receivables is as follows:

	GROUP	
	2010 RM'000	2009 RM'000
Less than three months	9	_
Between three to six months	171	_
Between six months and one year	47	_
Greater than one year	5,390	5,164
	5,617	5,164
Movements of the provision for impairment of receivables during the year are as follows:		
At 1 January	5,164	7,256
Provision for receivables impairment	543	171
Receivables written off during the year	_	(374)
Write back of provision for impairment of receivables	(90)	(1,889)
At 31 December	5,617	5,164

17 TRADE RECEIVABLES (cont'd)

The creation and release of provision for impaired receivables have been included in "other expenses" in the income statement. Amounts charged to the provision account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

18 OTHER RECEIVABLES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other receivables	2,222	7,098	_	_
Prepayments	11,490	3,239	38	138
Deposits	720	743	28	28
Advances	828	595	70	35
	15,260	11,675	136	201
Less: Provision for impairment of other receivables	(2,010)	_	_	
Other receivables (net)	13,250	11,675	136	201

As at 31 December 2010, other receivables of the Group and of the Company of RM0.2 million (2009: RM5.1 million) and nil (2009: nil) respectively were past due their contractual payment date but not impaired. These relate to a number of external parties where there is no expectation of default based on historical dealings. The age of analysis of these other receivables is as follows:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Less than three months	85	131	_	_
Between three to six months	32	_	_	_
Between six months and one year	95	4,964	-	_
	212	5,095	_	_

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18 OTHER RECEIVABLES (cont'd)

As at 31 December 2010, other receivables of RM2.0 million (2009: Nil) were impaired and provided for. The individually impaired receivables mainly relate to a private customer, which is currently under dispute. The aging of these receivables is as follows:

	(GROUP
	2010 RM'000	2009 RM'000
Greater than one year	2,010	_

Movements of the provision for impairment of other receivables during the year are as follows:

	G	GROUP	
	2010 RM′000	2009 RM'000	
At 1 January Provision for receivables impairment Reclassification	_ 2,010 _	62 - (62)	
At 31 December	2,010	-	

The creation and release of provision for impaired receivables have been included in "other expenses" in the income statement. Amounts charged to the provision account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

19 AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

Amounts due from subsidiary companies are unsecured and comprise:

	COMPANY	
	2010 RM'000	2009 RM'000
Current:		
Interest bearing	_	28,829
Interest free	164,371	138,680
	164,371	167,509
Less: Provision for impairment of amounts due from subsidiary companies	(24,131)	_
	140,240	167,509

As at 31 December 2010, amounts due from subsidiary companies of RM24.1 million (2009: Nil) were impaired and provided for. The individually impaired receivables mainly relate to a subsidiary company, which there is no expectation of recovery. The remaining balances of RM140.2 million were not impaired as there is no expectation of default based on expected future operational cash flows of these subsidiary companies.

The interest bearing portion of the amounts due from a subsidiary company in the previous financial year bears interest rates ranging from 2.96% to 4.75% per annum and has no fixed repayment terms.

Amounts due to subsidiary companies are unsecured and comprise:

	CON	COMPANY	
	2010 RM'000	2009 RM'000	
Current: Interest free	162,178	122,420	

The interest free portion of the amounts due from/(to) subsidiary companies have no fixed repayment terms.



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20 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The amounts due from related companies arose from billings made under the hospital equipping contracts.

As at 31 December 2010, amounts due from related companies of RM9.1 million (2009: RM15.6 million) were past due their contractual payment date but not impaired. These relate to a number of related parties where there is no expectation of default based on historical dealings. The age analysis of these amounts due from related companies is as follows:

	GR	GROUP	
	2010 RM′000	2009 RM'000	
Less than three months	_	3,316	
Between three to six months	321	264	
Between six months and one year	1,119	2,534	
Greater than one year	7,661	9,480	
	9,101	15,594	

As at 31 December 2010, amounts due from related companies of RM0.5 million (2009: RM0.5 million) were impaired and provided for. The individually impaired balances mainly relate to related parties, which are in unexpectedly difficult economic situations. The aging of these amounts due from related companies is as follows:

	(GROUP
	2010 RM'000	2009 RM'000
Greater than one year	495	495

Movements of the provision for impairment of amounts due from related companies during the year are as follows:

	GR	ROUP
	2010 RM'000	2009 RM'000
At 1 January/31 December 2010	495	495

20 AMOUNTS DUE FROM/(TO) RELATED COMPANIES (cont'd)

The amounts due to related companies arose from expenses incurred for the transportation, freight forwarding services, provision of scheduled waste treatment and disposal services, training and administrative services. The credit terms of amounts due to related companies granted to the Group range from 30 days to 60 days (2009: 30 days to 60 days) and the amounts are unsecured and interest free. The amounts due to related companies are as follows:

	GRO	GROUP		1PANY
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Amounts due to related companies	-	100	_	58

21 AMOUNTS DUE FROM/(TO) ASSOCIATED COMPANIES

Amount due from an associated company is similar to the credit term extended to the related companies. The amounts due from associated companies are as follows:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Amount due from associated companies Less: Provision for impairment of amount due from associated companies	559	3,979	-	1,127
	-	(2,190)	_	(1,127)
	559	1,789	_	_

As at 31 December 2010, amounts due from associated companies of the Group and of the Company is RM0.6 million (2009: RM1.4 million) and nil (2009: nil) respectively were past due their contractual payment date but not impaired. These relate to a number of related parties where there is no expectation of default based on historical dealings. The age of analysis of these amounts due from associated companies is as follows:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Between six months and one year	559	1,395	_	_



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21 AMOUNTS DUE FROM/(TO) ASSOCIATED COMPANIES (cont'd)

As at 31 December 2010, amounts due from associated companies of the Group and of the Company of nil (2009: RM2.2 million) and nil (2009: RM1.1 million) respectively were impaired and provided for. The individually impaired balances mainly relate to related parties, which are in unexpectedly difficult economic situations. The aging of these amounts due from associated companies is as follows:

	GR	OUP	COMPANY		
	2010 RM′000	2009 RM'000	2010 RM'000	2009 RM'000	
Greater than one year	-	2,190	-	1,127	

Movements of the provision for impairment of amounts due from associated companies during the year are as follows:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January	2,190	2,504	_	1,127
Provision for impairment	_	514	_	_
Unused amounts reversed	(2,190)	(828)	_	(1,127)
At 31 December	-	2,190	_	-

The creation and release of provision for impaired amounts due from associated companies have been included in "other expenses" in the income statement. Amounts charged to the provision account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The amount due to an associated company is unsecured, interest free and has no fixed terms of repayment. The amounts due to associated companies are as follows:

	GRO	DUP	COMPANY		
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	
Amount due to an associated company	31	4,571	31	4,566	

22 FIXED DEPOSITS, CASH AND BANK BALANCES

	GF	GROUP		MPANY
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed deposits in licensed banks	77,761	60,534	_	_
Cash and bank balances	25,216	43,874	836	2,708

Fixed deposits as at 31 December 2010 have an average maturity period of 17 (2009: 14) days.

During the year, the effective interest rate of fixed deposits was 2.55% (2009: 1.98%) per annum.

Cash and bank balances are deposits held at call with banks.

23 TRADE PAYABLES

The credit terms of trade payables granted to the Group range from 30 days to 120 days (2009: 30 days to 120 days).

24 OTHER PAYABLES

	GR	GROUP		1PANY	
	2010 RM′000	2009 RM'000	2010 RM'000	2009 RM'000	
Other payables Accruals	17,933	15,526	87	390 895	
ACCIUAIS	6,591	7,532	485	895	
	24,524	23,058	572	1,285	

Included in other payables are government grants relating to the Kacip Fatimah project amounting to RM0.7 million (2009: RM2.1 million).



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25 AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company arose from payment made on behalf. The amount is unsecured, interest free and has no fixed repayment terms.

26 LOANS AND BORROWINGS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short term				
Unsecured:				
– Murabahah Commercial Paper	_	13,891	_	13,891
– Foreign time loan	33,050	_	_	-
	33,050	13,891	_	13,891
Secured:				
– Foreign time loan	_	24,629	_	_
Sub-total	33,050	38,520	_	13,891
Add: Portion of long term borrowings due within 12 months	17	19,556		18,537
	33,067	58,076	_	32,428

26 LOANS AND BORROWINGS (cont'd)

	GRC)UP	CON	1PANY
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Long term				
Unsecured: – Murabahah Medium Term Notes – Hire purchase	- 76	14,937 –	_ _	14,937 –
Secured: - Term loan - Foreign term loan	- -	8,550 3,498	- -	8,550 –
	76	12,048	_	8,550
Sub-total Sub-total	76	26,985	_	23,487
Less: Portion of long term borrowings due within 12 months				
Unsecured: – Murabahah Medium Term Notes – Hire purchase	- (17)	(14,937) –	- -	(14,937)
Secured: - Term loan - Foreign term loan	- -	(3,600) (1,019)	- -	(3,600)
Sub-total	(17)	(19,556)	-	(18,537)
	59	7,429	_	4,950
Analysis of maturity of long term borrowings: – within 1 year – between 1 and 2 years	17 59	19,556 4,566	- -	18,537 3,600
– between 2 and 5 years	76	2,863 ————————————————————————————————————		1,350 23,487

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26 LOANS AND BORROWINGS (cont'd)

The net exposure of loans and borrowings of the Group and Company to interest rates changes and the periods in which they mature are as follows:

	Effective	Fixed	Floating	*		Repaym	nent terms		→	Total
% pei	interest rate r annum	interest rate RM'000	interest rate RM'000	<1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	>5 years RM'000	carrying amount RM'000
Group										
2010										
Murabahah Commercia	al									
Paper	_	_	_	_	_	_	_	_	_	_
Murabahah Medium										
Term Notes	_	-	-	_	-	-	-	-	_	_
Term loan	_	-	-	-	-	-	-	-	-	_
Foreign time loan*	10.40	33,050	_	33,050	-	-	-	_	_	33,050
Foreign term loan*	_	_	-	_	_	-	-	-	-	_
Hire purchase	11.03	76	_	17	59	_	_	_	_	76
		33,126	_	33,067	59	_	_	_	_	33,126
2009										
Murabahah Commercia	al									
Paper	3.03	13,891	_	13,891	_	_	_	_	_	13,891
Murabahah Medium										
Term Notes	4.75	14,937	_	14,937	_	-	_	_	_	14,937
Term loan	4.16	_	8,550	3,600	3,600	1,350	_	_	_	8,550
Foreign time loan*	12.75	_	24,629	24,629	_	_	_	_	_	24,629
Foreign term loan*	12.75	3,498	_	1,019	966	966	547	_	_	3,498
		32,326	33,179	58,076	4,566	2,316	547	_	_	65,505

^{*} Functional currency/currency exposure in Indonesian Rupiah (IDR)

26 LOANS AND BORROWINGS (cont'd)

	ffective	Fixed					Total			
	interest rate annum	interest rate RM'000	interest rate RM'000	<1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	>5 years RM'000	carrying amount RM'000
Company										
2010										
Murabahah Commercial										
Paper	_	_	_	_	_	_	_	_	_	_
Murabahah Medium										
Term Notes		_	_	-	_	_	_	_	_	_
Term loan	_	_	_	_	_	_	_	_	_	_
		_	_	_	-	_	_	_	_	_
2009										
Murabahah Commercial										
Paper	3.03	13,891	_	13,891	_	_	_	_	_	13,891
Murabahah Medium										
Term Notes	4.75	14,937	_	14,937	-	-	-	_	_	14,937
Term loan	4.16	_	8,550	3,600	3,600	1,350	-	-	-	8,550
		28,828	8,550	32,428	3,600	1,350	-	-	-	37,378

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26 LOANS AND BORROWINGS (cont'd)

The carrying amounts of the Group and Company borrowings are denominated in the following currencies:

	GR	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	
Ringgit Malaysia	_	37,378	_	37,378	
Indonesian Rupiah	33,126	28,127	-	_	
	33,126	65,505	_	37,378	

Term loan

In prior year, the term loan was drawn down to part finance the cost of acquisition of the remaining 30% equity interest in a subsidiary company. The term loan that is secured over the unquoted shares of that subsidiary company (Note 13) bears an average interest rate of 4.16% per annum.

Foreign term loans

In prior year, the foreign term loans were drawn down for working capital purposes and bear interest rates at 12.75% per annum. All foreign term loans are denominated in Indonesian Rupiah and are secured over certain property, plant and equipment (Note 11), inventories (Note 16) and trade receivables (Note 17) of the subsidiary company.

Foreign time loan

The foreign time loan was drawn down to finance the procurement of vehicle and building. The foreign time loan is denominated in Indonesian Rupiah. It bears interest rates at 10.40% per annum (2009: 12.75% per annum). In prior year, the foreign time loan is secured over certain property, plant and equipment (Note 11), inventories (Note 16) and trade receivables (Note 17) of the subsidiary company.

27 SHARE CAPITAL

	GROUP AND 2010 RM'000	COMPANY 2009 RM'000
Authorised: 300,000,000 ordinary shares of RM1 each	300,000	300,000
Issued and fully paid: Ordinary shares of RM1 each At beginning of year/end of year	106,978	106,978

28 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	GR	OUP
	2010 RM′000	2009 RM'000
Deferred tax assets Deferred tax liabilities	10,945 (1,530)	3,904 (3,131)
	9,415	773
At beginning of financial year Credited/(charged) to income statement (Note 8)	773	10
property, plant and equipmentprovisionsunutilised tax losses	581 8,333 (272)	(1,709) 1,700 772
	8,642	763
At end of financial year	9,415	773
Subject to income tax		
Deferred tax assets – property, plant and equipment – provisions – unutilised tax losses	67 9,535 1,358	225 4,801 1,036
Offsetting	10,960 (15)	6,062 (2,158)
	10,945	3,904
Deferred tax liabilities – property, plant and equipment Offsetting	(1,545) 15	(5,289) 2,158
	(1,530)	(3,131)

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28 **DEFERRED TAXATION** (cont'd)

As at 31 December 2010, the estimated amount of deferred tax assets calculated at current tax rate which have not been recognised in the Group's financial statements are as follows:

	GROUP	
	2010 RM'000	2009 RM'000
Unutilised business losses	15,630	15,629
Unabsorbed capital allowances	16	16
	15,646	15,645

The unutilised business losses and unabsorbed capital allowances are, however subject to Inland Revenue Board of Malaysia's approval. The potential deferred tax assets of the Group have not been recognised in respect of these items as they cannot be used to offset against taxable profits of other subsidiary companies within the Group and it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

29 PROVISION FOR DEFINED BENEFIT PLAN

	G	ROUP
	2010 RM'000	2009 RM'000
Non-current	3,175	2,449

The movements during the financial year in the amounts recognised in the balance sheet of the Company are as follows:

	GR	ROUP
	2010 RM'000	2009 RM'000
At 1 January	2,449	1,474
Charged to income statement	720	460
Benefits paid-unfunded obligations	(167)	(87)
Adjustment on last year's balance	173	602
At 31 December	3,175	2,449

29 PROVISION FOR DEFINED BENEFIT PLAN (cont'd)

The amounts recognised in the balance sheet are determined as follows:

	GROUP	
	2010 RM'000	2009 RM'000
Present value of unfunded obligations	3,175	2,449
Net liabilities	3,175	2,449
The amounts recognised in the income statement are as follows:		
Current service cost	410	295
Interest cost	300	231
Amortisation of actuarial loss	_	(75)
Amortisation of past service cost	10	9
Expense recognised in the income statement	720	460

The principal actuarial assumptions used in respect of the Group's unfunded defined retirement benefits are as follows:

	G	IROUP
	2010	2009
	%	%
Discount rate	9	11
Expected rate of salary increase	7	8



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30 AMOUNTS DUE FROM CUSTOMERS ON CONTRACTS

	GROUP	
	2010 RM'000	2009 RM'000
Aggregate costs incurred to-date Add: Attributable profit	33,700 5,608	33,404 4,617
Less: Progress billings	39,308 (33,566)	38,021 (31,474)
Amounts due from customers (Note 17)	5,742	6,547
Contract revenue recognised during the financial year (Note 4) Contract costs recognised as expense during the financial year (Note 5)	5,306 4,044	10,413 8,445

31 SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business segments. The primary format – business segments is based on the Group's management and internal reporting structure.

Intersegment pricing is based on arm's length transactions under terms not materially different from transactions with unrelated parties. These transfers are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses, interest income, interest expenses and related assets and liabilities.

The Group comprises the following main business segments.

<u>Business segment</u>	Business activity
Pharmaceutical manufacturing	Manufacturing of pharmaceutical products
Pharmaceutical trading, marketing and distribution	Purchasing, marketing, storage and distribution of and distribution pharmaceutical and medical products
Medical products and services	Supply and installation of medical and hospital equipment
Other operations	Investment holding

31 SEGMENTAL REPORTING (cont'd)

(a) Primary reporting – Business segments

	Pharmaceutical manufacturing RM'000	harmaceutical trading, marketing and distribution RM'000	Medical products and services RM'000	Other operations RM'000	Eliminations RM′000	Consolidated RM'000
Group						
2010						
Revenue						
External sales	394	1,371,956	5,998	_	_	1,378,348
Intersegment sales	137,547	7,705	215	5,925	(151,392)	
Total revenue	137,941	1,379,661	6,213	5,925	(151,392)	1,378,348
Results						
Segment results	22,656	32,458	18	(27,013)	53,218	81,337
Unallocated corporate expense	es					(31,725)
Profit from operations						49,612
Interest expense	_	(3,903)	_	(946)	806	(4,043)
Interest income	_	1,028	_	806	(806)	1,028
Share of results of associated	company					(1,135)
Profit before zakat and taxation	on					45,462
Income tax expense						(13,190)
Zakat						(1,962)
Net profit for the financial ye	ar					30,310

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31 SEGMENTAL REPORTING (cont'd)

(a) Primary reporting – Business segments (cont'd)

	Pharmaceutical manufacturing RM′000	harmaceutical trading, marketing and distribution RM'000	Medical products and services RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM′000
Group						
2010 Other information						
Segment assets	428,378	635,152	44,018	329,105	(640,200)	796,453
Investment in associated companies						5,427
Total assets						801,880
Segment liabilities	214,691	449,958	27,681	187,626	(515,549)	364,407
Capital expenditure on proper plant and equipments	rty, 11,741	4,434	1	-	-	16,176
Depreciation	8,448	5,262	20	-	350	14,080
Amortisation of prepaid lease payments	10	73	-	-	-	83
Non cash expenses other that depreciation and amortisation		27,513	9	23,982	(24,131)	29,415

31 SEGMENTAL REPORTING (cont'd)

(a) Primary reporting – Business segments (cont'd)

	Pharmaceutical manufacturing and marketing RM'000	Pharmaceutical trading and distribution RM'000	Medical products and services RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
Group						
2009						
Revenue						
External sales Intersegment sales	1,942 138,574	1,284,402 –	14,452 –	- 12,694	- (151,268)	1,300,796 –
Total revenue	140,516	1,284,402	14,452	12,694	(151,268)	1,300,796
Results						
Segment results	23,268	60,346	(2,336)	786	19,826	101,890
Unallocated corporate expen	ises					(16,036)
Profit from operations Interest expense Interest income Share of results of associated	d company	(3,561) 862	- 7	(2,957) 2,051	2,051 (2,051)	85,854 (4,467) 869 (820)
Profit before zakat and taxar Income tax expense	tion					81,436 (19,709)
Net profit for the financial y	/ear					61,727

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31 SEGMENTAL REPORTING (cont'd)

(a) Primary reporting – Business segments (cont'd)

	Pharmaceutical manufacturing and marketing RM'000	Pharmaceutical trading and distribution RM'000	Medical products and services RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
Group						
2009						
Other information						
Segment assets Investment in associated	447,811	595,436	48,540	357,011	(637,115)	811,683
companies						6,562
Total assets						818,245
Segment liabilities	250,828	370,429	32,681	189,669	(471,698)	371,909
Capital expenditure on propert plant and equipments	28,106	5,535	3	-	-	33,644
Depreciation	8,798	4,641	59	_	349	13,847
Impairment loss	-	1,800	-	-	-	1,800
Amortisation of project develop expenditure and prepaid leas payments		808	-		-	818
Non cash expenses other than depreciation and amortisation		5,939	1,139	538	_	14,264

31 SEGMENTAL REPORTING (cont'd)

(b) Secondary reporting – Geographical segments

Indonesia Other countries	330,850 16,817	96,489 –	2,277
Malaysia	953,129	721,756	31,367
2009			
	1,378,348	801,880	16,176
Malaysia Indonesia Other countries	1,062,171 301,170 15,007	705,418 96,462 –	15,356 820 –
<u>2010</u>			
Geographical markets	RM'000	RM'000	year RM'000
	Revenue from external customers	Total segment assets	Capital expenditure and intangible assets incurred during the

In determining the geographical segments of the Group, revenue is based on the country in which the customer is located. Total segment assets and capital expenditure incurred during the year are determined based on where the assets are located.

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32 CAPITAL COMMITMENTS

Capital expenditure in respect of the following has not been provided for in the financial statements:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Authorised and contracted for: – acquisition of property, plant and equipment	9,011	1,652	-	_
Authorised but not contracted for: – acquisition of property, plant and equipment	2,237	-	-	-

33 CONTINGENT LIABILITIES – UNSECURED

	GRO	GROUP		1PANY
	2010 RM′000	2009 RM'000	2010 RM'000	2009 RM'000
Corporate guarantee given to financial institution for credit facilities extended to a subsidiary company	-	-	_	26,423
Bank performance and reimbursement bonds for concession business undertaken by a subsidiary company	45,000	45,000	_	_
Bank guarantees for projects and utilities undertaken by subsidiary companies	22,528	11,452	_	_

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group and Company, if the Group and Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making any financial and operating decisions, or vice versa, or where the Group or Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to related party disclosures elsewhere in the financial statements, set out below are other related party transaction and balances.

The related party transactions described below were carried out on terms and conditions agreed by the related parties.

	G	ROUP
	2010 RM'000	2009 RM'000
Sales of goods and services		
Sales of goods:		
– Related company		
supply of medical equipment	961	4,474
– Company within the immediate holding company		
sale of disinfectant range of products	2,188	1,680
	3,149	6,154

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34 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	GR	OUP
	2010 RM'000	2009 RM'000
Purchases of services		
Purchases of services: - Related companies • Transportation and freight forwarding services • Provision of scheduled waste treatment and disposal services	2,389 272	2,562 235
Companies within the immediate holding companyTraining and administration services	1,316	591
 An associated company Provision of IT consultancy, technical support services and granting of software license 	11,661	18,321
	15,638	21,709

	CON 2010 RM'000	1PANY 2009 RM'000
Dividend income from a subsidiary company	39,000	21,990
Advances from a subsidiary company for: Redemption of Murabahah Commercial Papers Redemption of Murabahah Medium Term Notes	14,000 15,000	16,000 15,000
Finance expense charged to subsidiary companies for: • Profit for Murabahah Commercial Papers • Profit for Murabahah Medium Term Notes	272 534	646 1,388
	68,806	55,024

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(c) Remuneration of key management personnels

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries, bonus and allowances	2,808	2,832	1,099	1,513
Social contribution cost	2	_	-	_
Defined benefit plans	_	190	_	120
Defined contribution plan	307	345	132	187
Estimated monetary value of benefits				
by way of usage of Group assets	115	22	14	20
Others	217	190	144	129
	3,449	3,579	1,389	1,969

(d) Significant outstanding balances

Significant outstanding balances arising from the above transactions were as follows:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Amount due from related parties				
Subsidiary companies	_	_	164,371	167,509
Related companies	9,614	15,699	_	_
Associated companies	559	1,789	-	_
Amount due to related parties				
Immediate holding company	97	428	97	428
Subsidiary companies	-	_	162,178	122,420
Related companies	_	100	_	58
Associated companies	31	4,571	31	4,566

Outstanding balances with the above related parties arose from normal trade transactions during the financial year.



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35 SIGNIFICANT EVENTS

Significant events of the Group during the financial year are as follows:

- (a) On 4 December 2009, Pharmaniaga Berhad announced the extension of the concession related to the privatisation of the Medical Laboratory and Store of the Ministry of Health Malaysia (MOH).
 - In principal, MOH had agreed to extend the concession for a further 10 years, subject to terms and conditions which are to be negotiated over a period of six months from 1 December 2009. In the interim, the existing concession agreement has been continued on the current terms.
- (b) On 19 January 2011, Bursa Malaysia Securities Berhad ("Bursa Securities") had vide its letter dated 18 January 2011, granted a futher extension of time of six (6) months from 29 December 2010 until 28 June 2011 for Pharmaniaga Berhad to comply with the Public Spread Requirement.

36 MATERIAL LITIGATION

Since the preceding financial year ended 31 December 2009, there are no changes in material litigation as at the date of this announcement except for the following:

Counterclaims by former Directors of Safire Pharmaceuticals (M) Sdn Bhd

The Company announced on 18 January 2005, that Safri bin Nawawi ("Safri") and Hamimah Binti Idruss ("Hamimah"), former directors of Safire, on 28 December 2004 have each commenced an action by way of Counterclaim against the Company in the legal suit originally filed by Danaharta Urus Sdn. Bhd. against them. The Company and Safire are named 4th Defendant and 3rd Defendant respectively in both Actions by Counterclaim and were served with the court papers on 11 January 2005. The Company had filed its Memorandum of Appearance in Court on 14 January 2005 and 18 January 2005 in respect of the Counterclaim.

The Company and Safire have both filed their respective defense to the Action by Counterclaim on 31 January 2005. The Company has further filed an application to strike out the Counterclaim on 3 March 2005.

The High Court has allowed the application on 14 July 2009. Subsequently, Safri filed a Notice of Appeal against the decision on 15 July 2009. The court has yet to fix any date for the case management on Safri's appeal.

The Board of Pharmaniaga upon consultation with the solicitors is of the opinion that the positions of both the Company and Safire are defendable.

37 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group has a written risk management framework which sets out their overall business strategies, their tolerance to risk and has established processes to monitor and control the risks. Such framework is approved by the Board of Directors and quarterly reviews are undertaken as required.

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, EURO and the Rupiah. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. As at 31 December 2010, if the functional currency had weakened/strengthened by 5% against the IDR with all other variables held constant, the impact on equity would have been approximately RM73,000 higher/lower on translation upon consolidation. No impact on income statement as the financial assets and liabilities denominated in IDR are in respect of a foreign subsidiary where the trade is conducted in the entity's functional currency.

The financial assets and liabilities of the Group are denominated in Ringgit Malaysia. The currency exposure of financial assets and financial liabilities of the Group that are not denominated in its functional currency is set out below:

	Currency exposure at 31.12.201 US		
	Dollar RM′000	Euro RM'000	IDR RM'000
Trade receivables	2,613	_	43,335
Deposits, bank and cash balances	382	_	6,406
Trade payables	(2,276)	(271)	(24,235)
Loans and borrowings	-	_	(33,126)
	719	(271)	(7,620)



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37 FINANCIAL RISK MANAGEMENT (cont'd)

Financial risk factors (cont'd)

- (a) Market risk (cont'd)
 - (i) Foreign exchange risk (cont'd)

	Curre US	Currency exposure at 31.12.200 US		
	Dollar RM'000	Euro RM'000	IDR RM'000	
Trade receivables Deposits, bank and cash balances		-	45,034 6,220	
Trade payables Loans and borrowings	(2,427)	(82)	(28,740) (28,127)	
	(2,427)	(82)	(5,613)	

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2010 and 2009, the group's borrowings at fixed rate were denominated in the Currency and the Rupiah.

(b) Credit risk

Credit risk is managed on Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

37 FINANCIAL RISK MANAGEMENT (cont'd)

Financial risk factors (cont'd)

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 26) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Above 5 years RM'000
At 31 December 2010					
Borrowings	_	33,067	59	_	_
Trade payables	195,137	102,527	2,455	252	125
Other payables	9,174	2,008	553	_	_
Amount due to immediate holding company	_	97	_	_	_
Amount due to associated companies	-	-	31	-	
At 31 December 2009					
Borrowings	_	58,076	4,566	2,863	_
Trade payables	174,673	82,706	10,250	514	560
Other payables	5,656	2,606	1,073	_	_
Amount due to immediate holding company	_	428	_	_	_
Amount due to related companies	_	100	_	_	_
Amount due to associated companies	1,516	3,055	_	_	_



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37 FINANCIAL RISK MANAGEMENT (cont'd)

Capital risk management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratios at 31 December 2010 and 2009 were as follows:

	2010 RM'000	2009 RM'000
Total borrowings (Note 26) Total equity	33,126 437,473	65,505 446,336
Gearing ratio	7.6%	14.7%

The decrease in the gearing ratio during 2010 resulted primarily from the settlement of borrowings.

38 FAIR VALUES

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values except as set out below:

	20	10	2009	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Group				
<u>Financial liabilities</u>				
Non current Loans and borrowings	59	49	7,429	6,280
Company				
<u>Financial liabilities</u>				
Non current Loans and borrowings	_	_	4,950	4,388

The fair values are based on cash flows discounted using a rate based on the borrowing rates of 9.80% to 11.03% (2009: 4.16% to 12.75%) per annum.

The carrying amounts of short-term borrowings approximate their fair value.

39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 11 March 2011.

40 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

The retained profits as at 31 December 2010 is analysed as follows:

	GROUP	
	2010 RM'000	2009 RM'000
Total retained profits of the Group and its subsidiaries: – realised profits – unrealised (loss)/profits	376,233 (1,140)	376,472 2,332
Total share of retained profits from associated companies:	375,093	378,804
– realised profits	3,004	4,115
Less: Consolidation adjustments	378,097 (81,793)	382,919 (79,290)
Total Group retained profits as per consolidated accounts	296,304	303,629

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.





Location and address of property	Brief description and existing use	Area Building / Land (sq meters)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2010 (RM'000)	
Lot PT 46016, H.S. (D) 87359 Mukim of Kapar, Klang, Selangor Industrial Premises: No 7, Lorong Keluli 1B Kawasan Perindustrian Bukit Raja Selatan Seksyen 7, 40000 Shah Alam Selangor	A parcel of industrial land with a detached industrial building comprising a 3-storey office annexed at the front, a single storey office building, automated storage retrieval system (ASRS) warehouse, a surau, a guard house an an inflammable store	23,594	Freehold	16	29,076	14 March 2005
Lot PT 46016, H.S. (D) 87359 Mukim of Kapar, Klang, Selangor Industrial Premises: No 7, Lorong Keluli 1B Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7 40000 Shah Alam, Selangor	A parcel of industrial land with a single storey laboratory building, a chiller plant building and a guard house	17,414	Freehold	13	15,266	14 March 2005
Geran 44309 of Lot 7 of Mukim Pekan Puchong Perdana and District of Petaling Selangor	A parcel of freehold industrial land with an industrial building.	28,041	Freehold	10	70,092	21 August 2001
Lot PT 1157, H.S. (M) 9726 Mukim of Kajang, Hulu Langat Selangor Factory: No 11A, Jalan P/1 Kawasan Perindusrian Bangi 43650 Bandar Baru Bangi, Selangor	A parcel of industrial land with 3 industrial buildings, a office/ workshop, a canteen, a TNB sub-station and a guard house	12,141	Leasehold of 99 years, expiring on 29 September 2086	25	29,231	28 August 1991
Lot 1024, Block 7 Muara Tebas Land District of Kuching, Sarawak Industrial Premises: Lot 1024, Block 7 Muara Tebas Land District Demak Laut Industrial Park 93050 Kuching, Sarawak	A parcel of industrial land with a 2-storey office, warehouse and a guard house	6,560	Leasehold of 60 years, expiring on 15 August 2056	14	7,229	3 November 2004

Location and address of property	Brief description and existing use	Area Building / Land (sq meters)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2010 (RM'000)	Date of Revaluation / Acquisition
Country Lease 015377554 Kota Kinabalu, Sabah Industrial Premises: Lorong Kurma Kolombong Industrial Centre KM 9, Off Jalan Tuaran 88450 Kolombong Kota Kinabalu, Sabah	A parcel of industrial land with 2-storey office, warehouse and a guard house	6,111	Leasehold of 66 years, expiring on 21 December 2033	8/36	4,111	21 January 2002
H.S. (M) 1479, H.S. (M) 1480 and H.S. (M) 1481 Lot No 3806, 3807 and 3808 Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang	3 contiguous 11/2 semi detached warehouse with office	2,175	Freehold	13	1,209	11 November 1998
Industrial Premises: Nos. 1,3 & 5 Lorong IKS Juru 8 Taman Perindustrian Ringan Juru, 14100 Seberang Perai, Pulau Pinang						
Flat Nos. 401-405 3rd Floor, Block 5 Jalan 1/9 Section 1 43650 Bandar Baru Bangi, Selangor	5 units of 2 –bedroom flat for staff lodging	296	Leasehold of 99 years, expiring on 31 March 2095	17	24	10 June 1993 and 19 July 1995
Flat Nos. 501, 503, 505 and 507 4th Floor, Block 10 Jalan 6C/11, Section 16 43650 Bandar Baru Bangi Selangor	4 units of 2-bedrooms flat for staff lodging	262	Leasehold of 99 years, expiring on 31 March 2095	15	14	11 June 1993
Lot PT 10908, H.S. (M) 9124 Mukim of Kajang Hulu Langat Selangor House: No 5, Jalan 4/4E, Section 4 43650 Bandar Baru Bangi, Selangor	A 2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	24	16.5	4 September 1987

PHARMANIAGA GROUP PROPERTY LIST as at 31 December 2010 (cont'd)

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Location and address of property	Brief description and existing use	Area Building / Land (sq meters)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2010 (RM'000)	Date of Revaluation / Acquisition
Lot PR 10911, H.S. (M) 9127 Mukim of Kajang Hulu Langat Selangor	A 2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3	24	16.5	4 September 1987
House: No 11, Jalan 4/4E Section 4, 43650 Bandar Baru Bangi Selangor			September 2086			
Blok D. 20 & 21 Ruko Grand Mal Bekasi	Shop lots	Building 453 Land 136	Freehold 15 years to 24 September 2013	8	122	13 October 2003
Jalan Depsos 67 – 70 Bintaro Jaksel	Office and warehouse	Building 965 Land 1,860	Freehold 30 years to 7 July 2028	11	1,048	14 January 1999 Revaluation 2001
Apartmen Permata Eksekutif Jalan Pos Pengumben Raya Jak-Bar	Shop lots	Building 146	Freehold 20 years to 2015	7	191	6 May 2004
Jalan Kalibokor Selatan 152 Surabaya	Office and warehouse	Building 820 Land 1,133	Leasehold 5 years to 30 June 2011(in progress to extend)	29	114	4 November 1971 Revaluation 2001



SHARE CAPITAL

Authorised Share Capital : RM300,000,000.00

Issued and Paid-up Share Capital: RM106,977,788.00 divided into 106,977,788 ordinary shares of RM1.00 each

Class of Shares : Ordinary shares of RM1.00 each
Voting Rights : One vote per ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	280	25.93	7,810	0.01
100 to 1,000	444	41.11	149,666	0.14
1,001 to 10,000	298	27.59	1,044,709	0.98
10,001 to 100,000	47	4.35	1,285,000	1.20
100,001 to less than 5% of issued shares	10	0.93	11,045,000	10.32
5% and above of the issued shares	1	0.09	93,445,603	87.35
TOTAL	1,080	100.00	106,977,788	100.00

30 LARGEST SHAREHOLDERS (as per the Register of Depositors)

No.	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1.	Boustead Holdings Berhad	93,445,603	87.35
2.	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	4,740,600	4.43
3.	Amanah Saham Didik	2,494,200	2.33
4.	Amanah Saham Wawasan 2020	1,294,700	1.21
5.	Amanahraya Trustees Berhad Sekim Amanah Saham Nasional	962,500	0.90
6.	HLG Nominee (Tempatan) Sdn Bhd Hong Leong Fund Management Sdn Bhd For Hong Leong Bank Berhad	599,700	0.56
7.	Permodalan Nasional Berhad	294,700	0.28
8.	HLG Nominee (Tempatan) Sdn Bhd Hong Leong Fund Management Sdn Bhd For Hong Leong Assurance Bhd (Life)	225,000	0.21
9.	PM Nominees (Tempatan) Sdn Bhd PCB Asset Management Sdn Bhd For Mui Continental Insurance Berhad	153,600	0.14

ANALYSIS OF SHAREHOLDINGS as at 14 April 2011 (cont'd)

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30 LARGEST SHAREHOLDERS (as per the Register of Depositors) (cont'd)

No.	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
	HLG Nominee (Tempatan) Sdn Bhd Hong Leong Fund Management Sdn Bhd For Hong Leong Assurance Bhd (Non-Life)	150,000	0.14
	HLG Nominee (Tempatan) Sdn Bhd Hong Leong Fund Management Sdn Bhd For Hong Leong Foundation	130,000	0.12
	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Sleuths Holdings Sdn Bhd (M12)	80,000	0.07
	Kenanga Investment Bank Berhad Exempt An CLR (B3) For Credit Suisse	78,500	0.07
14	Jenny Wong	73,300	0.07
	HLG Nominee (Tempatan) Sdn Bhd Hong Leong Bank Bhd For Teh Shiou Cherng	56,000	0.05
	Amanahraya Trustees Berhad Amanah Saham Gemilang For Amanah Saham Pendidikan	50,000	0.05
17.	Perng Huey Yunn	49,200	0.05
18.	Teng Wee Eng	48,000	0.04
19. \	Wong Nyet Lan	45,600	0.04
20. I	Liew Wai Kiat	40,000	0.04
21.	Pang Tee Chew	40,000	0.04
	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mak Kin Wah	35,300	0.03
23.	Hoh Thiam Fatt @ Hoh Yuen Fun	35,000	0.03
24.	Lim Boon Chee	33,900	0.03
25. I	Leong Wai Hong	32,000	0.03
26. /	Abdul Rahim Bin Bidin	30,500	0.03
	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tiong Kiong King	30,000	0.03
	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Raja Nong Chik bin Raja Zainal Abidin (PB)	27,000	0.03
	Mayban Nominees (Tempatan) Sdn Bhd Lim Boon Chee	25,100	0.02
30.	Ong Ee Puay	22,000	0.02
	TOTAL	105,322,003	98.00

SUBSTANTIAL SHAREHOLDERS (as per the Register of Substantial Shareholders)

		No. of Shares Held			
No.	Name of Substantial Shareholders	Direct	%	Indirect	%
1.	Boustead Holdings Berhad	93,445,603	87.35	_	_

DIRECTORS' SHAREHOLDING (as per the Register of Directors' Shareholding)

No.	Name of Directors	Direct	%	Indirect	%
1.	Datuk Mohamed Azman bin Yahya	-	_	10,000¹	0.01
2.	Datuk Sulaiman bin Daud	_	_	_	_
3.	Emeritus Prof Dato' Wira Ir. Dr. Mohammad Noor bin Hj. Salleh	_	_	_	_
4.	Mr. Oh Kim Sun	_	_	97,000 ²	0.09
5.	Dato' Farshila binti Emran	_	_	_	_
6.	Mr. Daniel Ebinesan	_	_	_	_
7.	En. Izzat bin Othman	_	_	_	_

Notes

- Deemed interested by virtue of his spouse's shareholding in Pharmaniaga Berhad.
- Deemed interested by virtue of his associate companies' shareholdings in Pharmaniaga Berhad. 80,000 shares held through Sleuths Holdings Sdn Bhd and 17,000 shares held through Melval Holdings Sdn Bhd.

NON-COMPLIANCE WITH PUBLIC SHAREHOLDING SPREAD REQUIREMENT PURSUANT TO PARAGRAPH 8.02 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("Public Spread Requirement")

The Company has not at this juncture complied with the Public Spread Requirement and the Company has been granted a further extension of time of six (6) months from 29 December 2010 until 28 June 2011 to comply with the Public Spread Requirement.

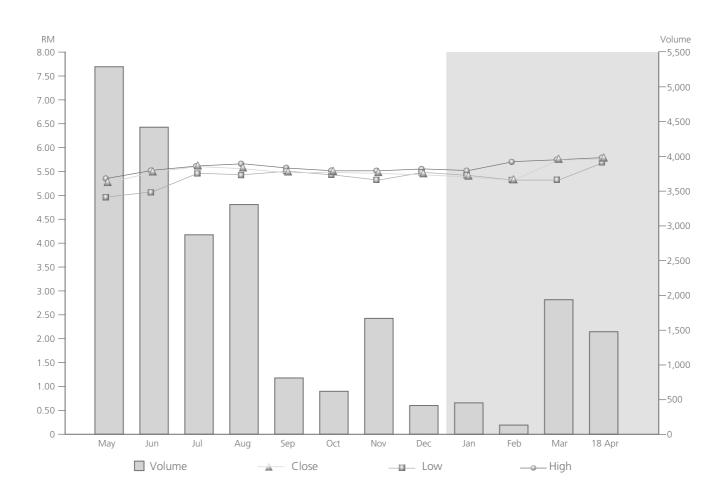
Boustead Holdings Berhad, the major shareholder of the Company intents to maintain the listing status of Pharmaniaga.

As at 14 April 2011, Pharmaniaga Berhad's public shareholding spread stood at 12.53%.



Pharmaniaga Berhad ANNUAL REPORT 2010

		2011										
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	18 Apr
High (RM)	5.35	5.52	5.61	5.66	5.56	5.51	5.50	5.55	5.50	5.70	5.73	5.78
Low (RM)	4.95	5.05	5.44	5.41	5.48	5.41	5.30	5.45	5.40	5.30	5.30	5.67
Close (RM)	5.26	5.48	5.60	5.55	5.48	5.45	5.48	5.45	5.40	5.30	5.73	5.78
Volume	5,296	4,415	2,888	3,309	824	627	1671	425	451	142	1,941	1,488





List of Companies	Address
Pharmaniaga Berhad Pharmaniaga Logistics Sdn Bhd Pharmaniaga Biomedical Sdn Bhd Pharmaniaga Marketing Sdn Bhd Pharmaniaga Research Centre Sdn Bhd	No. 7, Lorong Keluli 1B Kawasan Perindustrian Bukit Raja Selatan Seksyen 7, 40000 Shah Alam Selangor Darul Ehsan Tel: +603-3342 9999 Fax: +603-3341 7777
	Mailing address P.O. Box 2030, Pusat Bisnes Bukit Raja 40800 Shah Alam Selangor Darul Ehsan
Pharmaniaga Manufacturing Berhad	11A Jalan P/1, Kawasan Perusahaan Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan Tel: +603-8925 7880 Fax: +603-8925 6177
Pharmaniaga LifeScience Sdn Bhd	Lot 7, Jalan PPU 3 Taman Perindustrian Puchong Utama 47100 Puchong Selangor Darul Ehsan Tel: +603-8061 2006 Fax: +603-8061 2875
Pharmaniaga Logistics Sdn Bhd (Juru Branch)	1,3, & 5, Lorong IKS Juru 8 Taman Perindustrian Ringan Juru 14100 Simpang Ampat Seberang Prai Pulau Pinang, Tel: +604-508 3330/1/2 Fax: +604-508 3111
Pharmaniaga Logistics Sdn Bhd (Kuching Branch)	Lot 1024, Block 7, Muara Tebas Land District Demak Laut Industrial Park, 93050 Kuching, Sarawak Tel: +6082-432 800 Fax: +6082-432 806
Pharmaniaga Logistics Sdn Bhd (Kota Kinabalu Branch)	Lorong Kurma, Kolombong Industrial Centre KM 9 Off Jalan Tuaran 88450 Kolombong, Kota Kinabalu, Sabah Tel: +6088-439 188 Fax: +6088-437 288
PT Millennium Pharmacon International Tbk (HQ)	Panin Bank Centre, 9th Floor, Jl-Jendral Sudirman Senayan, Jakarta, 10270 Indonesia Tel: +62-21 727 88906/7 Fax: +62-21 722 8090





(Incorporated in Malaysia)

No. of shares held	Please fill in CDS Account No.																
				_				_									

ΙΛΛ/ρ			
	(FULL NAME IN BLOCK LETTERS)		
of	(FULL ADDRESS)		
being	a member/members of PHARMANIAGA BERHAD hereby appoint		
	(FULL NAME IN BLOCK LETTERS)		
of	(FULL ADDRESS)		
or tal	ing him/her,		
of			
or fail	(FULL ADDRESS) ing him/her the Chairman of the Meeting as my/our proxy to vote for me/us on my/our bel	aalf at tha Th	virtaanth Annua
	ral Meeting of the Company to be held at 4th Floor, Menara Boustead, 69, Jalan Raja C		
	esday, 7 June 2011 at 10.30 a.m. and at any adjournment thereof.	1101011, 3020	radia Edifipai
No.	Ordinary Resolution	For	Against
	•	FOI	Against
1.	To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2010 together with the Reports of the Directors and the Auditors thereon.		
2.	To re-elect Tan Sri Dato' Lodin bin Wok Kamaruddin as Director of the Company.		
3.	To re-elect Dato' Farshila binti Emran as Director of the Company.		
4.	To re-elect Mr. Daniel Ebinesan as Director of the Company.		
5.	To re-elect En. Izzat bin Othman as Director of the Company.		
6.	To re-elect En. Mohd Suffian bin Hj. Haron as Director of the Company.		
7.	To approve the payment of Directors' Fees in respect of the financial year ended 31 December 2010.		
8.	To re-appoint Messrs. PricewaterhouseCoopers as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.		
9.	To empower the Directors of the Company to issue shares pursuant to Section 132D of the Companies Act, 1965.		
10.	To approve the Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
11.	To approve the Shareholders' Mandate for New Recurrent Related Party Transactions of a Revenue or Trading Nature.		
Dated	this day of 2011		
		ure(s) of mei	mber(s)

Notes

- 1. A member of the Company entitled to be present and vote at the Meeting may appoint a proxy to vote instead of him. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy.
- 2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, under its common seal or signed by its attorney or by an officer on behalf of the corporation.
- 3. Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act 1991, he may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- 4. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the Company's share registrar, Symphony Share Registrars Sdn Bhd, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof. The Annual Report and Proxy Form are available for access and download at the Company's website at www.pharmaniaga.com

fold here

Share Registrar

Symphony Share Registrars Sdn Bhd (378993-D)

Level 6, Symphony House Block D13, Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Malaysia STAMP

Pharmaniaga Berhad (467709-M)

No. 7, Lorong Keluli 1B Kawasan Perindustrian Bukit Raja Selatan Seksyen 7, 40000 Shah Alam Selangor Darul Ehsan Malaysia

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