

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2009

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RM'000	RM'000	RM'000	RM'000
1. (a) Revenue	333,212	353,465	646,928	663,115
(b) Cost of sales	<u>(277,422)</u>	<u>(295,744)</u>	<u>(541,842)</u>	<u>(544,511)</u>
(c) Gross profit	55,790	57,721	105,086	118,604
(d) Other income	4,331	547	4,535	834
(e) Expenses	(34,456)	(36,471)	(62,901)	(68,632)
(f) Finance costs	(1,078)	(1,160)	(2,259)	(3,016)
(g) Share of results of associate	<u>(250)</u>	<u>451</u>	<u>60</u>	<u>672</u>
(h) Profit before income tax	24,337	21,088	44,521	48,462
(i) Income tax	<u>(5,814)</u>	<u>(7,631)</u>	<u>(11,305)</u>	<u>(16,023)</u>
(j) Profit for the period	<u>18,523</u>	<u>13,457</u>	<u>33,216</u>	<u>32,439</u>
Attributable to:				
(k) Equity holders of the Company	17,697	13,107	32,219	31,652
(l) Minority interest	<u>826</u>	<u>350</u>	<u>997</u>	<u>787</u>
	<u>18,523</u>	<u>13,457</u>	<u>33,216</u>	<u>32,439</u>
2. Basic earnings per share attributable to equity holders of the Company	<u>16.54 sen</u>	<u>12.25 sen</u>	<u>30.12 sen</u>	<u>29.59 sen</u>

The condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2008.

II. CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited As at end of current quarter 30/06/2009 RM'000	Audited As at preceding financial year end 31/12/2008 RM'000
ASSETS		
1. Non-current assets		
Property, plant and equipment	258,437	257,804
Prepaid lease payments	3,074	3,116
Investments in associated companies	7,443	7,382
Goodwill	30,620	30,620
Other intangible assets	419	735
Deferred tax assets	3,559	3,246
	303,552	302,903
2. Current assets		
Inventories	176,017	162,210
Receivables	259,111	167,300
Amounts due from related companies	21,511	19,752
Amounts due from associated companies	2,570	3,091
Tax recoverable	4,242	1,607
Fixed deposits	63,150	58,300
Cash and bank balances	23,792	35,873
	550,393	448,133
3. Non-current assets held for sale	14,593	47,282
Total assets	868,538	798,318

III. CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)

	Unaudited As at end of current quarter 30/06/2009 RM'000	Audited As at preceding financial year end 31/12/2008 RM'000
EQUITY AND LIABILITIES		
4. Equity attributable to equity holders of the Company		
Share capital	106,978	106,978
Reserves		
Share premium	22,447	22,447
Other reserves	(5,254)	(6,491)
Retained earnings	275,657	265,101
	399,828	388,035
5. Minority interest	15,164	14,167
Total equity	414,992	402,202
6. Non-current liabilities		
Long term borrowings	24,223	26,238
Deferred tax liabilities	3,236	3,236
	27,459	29,474
7. Current liabilities		
Payables	336,698	265,371
Amount due to immediate holding company	194	21
Amounts due to related companies	190	2,244
Amounts due to associated companies	3,150	2,112
Taxation payable	685	981
Dividend payable	21,663	6
Short term borrowings	36,807	41,722
Current portion of long term borrowings	26,700	54,185
	426,087	366,642
Total liabilities	453,546	396,116
Total equity and liabilities	868,538	798,318
8. Net assets per share attributable to ordinary equity holders of the Company	RM3.74	RM3.63

The condensed Consolidated Balance Sheet should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2008.

III. CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months to 30/06/2009 RM'000	Unaudited Six months to 30/06/2008 RM'000
Operating activities		
Cash receipts from customers and related parties	583,019	583,046
Cash payments to suppliers	(498,494)	(481,871)
Cash payments to employees and for expenses	(61,245)	(68,615)
Cash generated from operations	23,280	32,560
Interest paid	(1,540)	(1,801)
Profit on Murabahah Commercial Paper paid	(278)	(565)
Income taxes paid	(15,388)	(11,488)
Income taxes refund	840	-
Interest received	19	17
Net cash generated from operating activities	6,933	18,723
Investing activities		
Proceeds from disposal of property, plant and equipment	82	137
Partial proceeds from disposal of non-current asset held for sale	26,800	-
Purchase of property, plant and equipment	(2,077)	(9,062)
Net cash generated from / (used in) investing activities	24,805	(8,925)
Financing activities		
Repayments of short term borrowings	(10,737)	(33,398)
Redemption of Murabahah Commercial papers	(16,000)	-
Repayment of term loan	(9,900)	(4,500)
Term loan interest paid	(582)	(1,008)
Profit on Murabahah Medium Term Notes paid	(694)	(985)
Fixed deposits pledged	-	(3)
Net cash used in financing activities	(37,913)	(39,894)
Net change in cash and cash equivalents	(6,175)	(30,096)
Currency translation differences	(1,056)	(18)
Net cash and cash equivalents as at beginning of financial period	94,173	56,132
Net cash and cash equivalents as at end of financial period (a)	86,942	26,018

III. CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

	Unaudited As at 30/06/2009 RM'000	Unaudited As at 30/06/2008 RM'000
(a) Cash and cash equivalents comprise the following amounts:		
Cash and bank balances	23,792	24,049
Fixed deposits	63,150	1,980
	86,942	26,029
Less: Fixed deposits pledged to banks	-	(11)
Cash and cash equivalents	86,942	26,018

The condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2008.

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

← Equity attributable to equity holders of the Company →

	Share capital RM'000	Share premium RM'000	Exchange reserves RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
Six months to 30 June 2009 (Unaudited)							
Balance as at 1 January 2009	106,978	22,447	(6,491)	265,101	388,035	14,167	402,202
Currency translation differences, representing expenses recognised directly in equity	-	-	1,237	-	1,237	-	1,237
Profit for the period	-	-	-	32,219	32,219	997	33,216
Total recognised income and expense for the period	-	-	1,237	32,219	33,456	997	34,453
2008 final gross dividend of 27.0%, less taxation of 25%	-	-	-	(21,663)	(21,663)	-	(21,663)
Balance as at 30 June 2009	<u>106,978</u>	<u>22,447</u>	<u>(5,254)</u>	<u>275,657</u>	<u>399,828</u>	<u>15,164</u>	<u>414,992</u>

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY (CONT'D)

	← Equity attributable to equity holders of the Company →					Total RM'000	Minority interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Exchange reserves RM'000	Retained earnings RM'000			
Six months to 30 June 2008 (Unaudited)								
Balance as at 1 January 2008	106,963	22,410	3,428	(3,681)	220,551	349,671	12,789	362,460
Currency translation differences, representing expenses recognised directly in equity	-	-	-	68	-	68	-	68
Profit for the period	-	-	-	-	31,652	31,652	787	32,439
Total recognised income and expense for the period	-	-	-	68	31,652	31,720	787	32,507
2007 final 18.0% tax exempt dividend	-	-	-	-	(19,253)	(19,253)	-	(19,253)
Employee equity scheme: - options granted	-	-	344	-	-	344	-	344
Balance as at 30 June 2008	<u>106,963</u>	<u>22,410</u>	<u>3,772</u>	<u>(3,613)</u>	<u>232,950</u>	<u>362,482</u>	<u>13,576</u>	<u>376,058</u>

The condensed Statement of Changes in Total Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2008.

V. NOTES TO THE CONDENSED FINANCIAL STATEMENTS

The notes to the condensed Financial Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2008.

1. Accounting policies and methods of computation

The quarterly consolidated financial statements have been prepared by applying accounting policies and methods of computation consistent with those used in the preparation of the most recent audited financial statements of the Group and are in accordance with FRS 134, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2008.

2. Audit report in respect of the 2008 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2008 was not qualified.

3. Seasonal or cyclical factors

The Group's operations are not subject to any significant seasonal or cyclical factors.

4. Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence in the current period ended 30 June 2009.

5. Material changes in estimates used

There were no other changes in estimates of amounts reported in prior interim period of the current financial period or prior financial years that have a material effect in the current period.

6. Debt and equity securities

The Group did not undertake any other issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period ended 30 June 2009 except for the redemption of RM16 million Murabahah Commercial Papers in February 2009.

7. Dividend

No interim ordinary dividend has been declared for the financial period ended 30 June 2009 (2008: nil).

A final gross dividend of 27.0%, less taxation of 25% (2007: 18.0% tax exempt dividend) on 106,977,788 (2007: 106,963,188) ordinary shares of RM1.00 each in respect of the financial year ended 31 December 2008 amounting to approximately RM21,663,002 (2007: RM19,253,374) was approved by shareholders on 26 May 2009 and paid on 2 July 2009.

8. **Segment information for the current financial period**

Segment information for the current financial period to 30 June 2009 is as follows:

	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	Group RM'000
Revenue						
External revenue	2,088	638,269	6,571	-	-	646,928
Inter-segment revenue	76,488	-	-	6,270	(82,758)	-
Total revenue	78,576	638,269	6,571	6,270	(82,758)	646,928
Results						
Segment results	11,602	31,889	(689)	1,262	9,717	53,781
Unallocated corporate expenses						(7,583)
Profit from operations						46,198
Interest expense	-	(1,690)	-	(1,864)	1,295	(2,259)
Interest income	-	519	3	1,295	(1,295)	522
Share of results of associate						60
Profit before income tax						44,521
Income tax						(11,305)
Profit for the period						33,216
Attributable to:						
Equity holders of the Company						32,219
Minority interest						997
						<u>33,216</u>

9. **Non current assets held for sale**

Non current assets held for sale consist of two lots of vacant freehold land of Pharmaniaga LifeScience Sdn. Bhd. with carrying value of RM14,593,000, of which total deposit of RM2,189,000 was received.

In the second quarter 2009, Safire Pharmaceuticals (M) Sdn. Bhd. completed the transfer of control over the property, plant and equipment sold to Idaman Pharma Sdn. Bhd. As at the date of this announcement, payments totalling RM32.5 million have been received, of the total consideration of RM35 million. As a result, the sale of the assets had been recognised in the second quarter 2009.

10. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the current period including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations except as disclosed below:

- (a) the liquidation of one dormant subsidiary company of the Group, Pharmaniaga Trading (M) Sdn. Bhd. has been completed;
- (b) the Jiangsu Province Wuxi Intermediate People's Court, upon application by Wuxi Worldbest Treeful Pharma Pharmaceutical Co. Ltd. ("WWTPP"), has ruled on 10 July 2007 to accept the bankruptcy application of WWTPP in accordance with the law. On 16 July 2007, the Court further appointed Wuxi Jin Shun Economic Consulting Co. Ltd. as the Bankruptcy Administrator for WWTPP to take control over WWTPP. Pharmaniaga Pegasus (Seychelles) Co. Ltd. ("Pharmaniaga Pegasus") has then appointed a legal representative for the participation in the Creditors Meeting and bankruptcy proceeding respectively. At the Creditors Meeting, various resolutions/arrangements were made as to asset-management matters, including the realisation of assets and the priority of claims. The Liquidation Committee will be carrying out the realisation, management and distribution of the assets.

As of to date, WWTPP's assets is valued at RMB80 million and the amount outstanding to creditors is RMB113 million. As an unsecured creditor, it is highly unlikely that Pharmaniaga Pegasus will be paid from the realisation of WWTPP's assets.

11. Contingent liabilities

There are no changes in the contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2008 except as disclosed below:

	As at 01/01/2009	Increase	Decrease	As at 30/06/2009
	RM'000	RM'000	RM'000	RM'000
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	16,516	3,579	(50)	20,045
Total	61,516	3,579	(50)	65,045

12. Capital commitments

Authorised capital expenditures for the purchase of property, plant and equipment not provided for in the condensed consolidated financial statements were as follows:

	As at 30/06/2009 RM'000
Authorised and contracted for:	
- acquisition of property, plant and equipment	<u>13,590</u>

13. **Income tax**

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation				
- Current taxation	5,199	7,275	10,577	15,543
- Deferred taxation	-	23	-	(316)
Sub-total	<u>5,199</u>	<u>7,298</u>	<u>10,577</u>	<u>15,227</u>
Foreign taxation				
- Current taxation	712	548	1,041	1,077
- Deferred taxation	(97)	(215)	(313)	(281)
Sub-total	<u>615</u>	<u>333</u>	<u>728</u>	<u>796</u>
Grand Total	<u><u>5,814</u></u>	<u><u>7,631</u></u>	<u><u>11,305</u></u>	<u><u>16,023</u></u>

The Group's effective tax rate for the current quarter is 24%, which is lower than the statutory tax rate (25%) and effective tax rate (36%) in the same quarter last year. This was mainly due to a higher portion of income not subject to tax in the current quarter as compared to the same quarter last year.

14. **Disposal of unquoted investments and/or properties**

There were no disposal of unquoted investments and/or properties in the current period except for the disposal of properties classified as non current assets held for sale as detailed in Note 9.

15a) **Acquisitions and disposals of quoted securities**

There were no acquisitions and disposals of quoted securities in the current period.

15b) **Investments in quoted securities**

There were no investments in quoted securities as at 30 June 2009.

16. **Status of corporate proposals announced but not completed as at the date of this announcement**

There are no corporate proposals announced by Pharmaniaga Berhad ("Pharmaniaga") but not completed as at the date of this announcement except for:

- (a) As at to date, Pharmaniaga's public shareholding spread stands at 12.98%. Bursa Securities has given the Company until 5 November 2009 to comply with the Required Public Shareholding Spread.

16. **Status of corporate proposals announced but not completed as at the date of this announcement (Continued)**

- (b) On 27 November 2008, the Company announced that one of its wholly-owned subsidiaries, Safire Pharmaceuticals (M) Sdn. Bhd. has entered into a sales and purchase agreement with Idaman Pharma Sdn. Bhd.(a third party) for the proposed disposal of land and asset for a total consideration of RM35 million. To date, a total of RM32.5 million have been received as part payments.

17. **Borrowings and debt securities**

Details of Group borrowings and debt securities as at 30 June 2009 are as follows:

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Debt securities</u>						
Domestic						
- Murabahah Commercial Paper	-	-	-	-	13,839	13,839
- Murabahah Medium Term Notes	-	14,884	14,884	-	15,000	15,000
<u>Other borrowings</u>						
Domestic						
- Term loan	6,750	-	6,750	11,700	-	11,700
Foreign						
Indonesia Rupiah						
- Term loan	2,523	-	2,523	22,812	-	22,812
- Hire purchase	66	-	66	156	-	156
TOTAL	9,339	14,884	24,223	34,668	28,839	63,507

18. **Off Balance Sheet financial instruments**

There are no financial instruments with off-balance sheet risks as at the date of this announcement.

19. **Material litigation**

Since the preceding financial year ended 31 December 2008, there are no changes in material litigation as at the date of this announcement except for the following:

(a) Demand by Siemens Financial Services GmbH (“Siemens”) for USD12.0 million

As at the date of this announcement, the Company confirms that no civil suit on the Company and its subsidiaries, Pharmaniaga Logistics Sdn. Bhd. (“PLSB”) and Safire Pharmaceuticals (M) Sdn. Bhd. (“Safire”) has been filed by Siemens.

The Board of Directors of the Company upon consultation with the solicitors, is of the opinion that the positions of both PLSB and Safire are defensible.

19. **Material litigation (Continued)**

(b) Danaharta Urus Sdn. Bhd. vs Safri bin Nawawi (“Safri”) and Hamimah Binti Idruss (“Hamimah”) (by original action)
Safri bin Nawawi & Anor vs Danaharta Urus Sdn. Bhd. and 6 others (action by counterclaim)

The Company announced on 18 January 2005, that Safri bin Nawawi and Hamimah binti Idruss, 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 Company and Safire’s striking out applications in relation to the counterclaim on 14 July 2009. Subsequently, Safri has filed the Notice of Appeal against the decision on 15 July 2009.

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

20. **Comparison between the current quarter and the immediate preceding quarter**

At RM333.2 million, revenue for the second quarter of 2009 improved by 6.2% compared with the RM313.7 million recorded in the immediate preceding quarter. This was due to improvements notably in the sales to government hospitals and sales contribution from the Indonesian subsidiary, PT Millennium Pharmacon International Tbk.

Group profit before taxation in the second quarter of 2009 rose 20.6% to reach RM24.3 million, compared with RM20.2 million registered in the immediate preceding quarter. The growth was mainly contributed by the increased revenue, an improved gross profit margin and recognition of gain on disposal of property, plant and equipment

21. **Review of performance for the current quarter and period**

In the current quarter under review, the Group’s revenue declined by 5.7% to RM333.2 million, from RM353.5 million registered in the same quarter last year, mainly due to the expiry of some tender sales and lower billings for sale of medical equipment. Nevertheless, despite current challenging market conditions, sales to the private sector and at the Indonesian subsidiary have improved by 19.3% and 11.5% respectively.

The Group’s profit before taxation fared better, registering a 15.4% improvement to RM24.3 million, from RM21.1 million in the same period last year. This was largely due to recognition of gain on disposal of property, plant and equipment.

The Group’s year-to-date revenue registered a slight decline of 2.4%, compared with the same period in 2008. The reduction was mainly due to expiry of some tender sales and lower billings on the sale of medical equipment. Nevertheless, growth was recorded for concession sales (+3.2%), international sales (+82.3%) and at the Indonesian subsidiary (+13.9%).

The Group’s profit before taxation contracted by 8.1% to RM44.5 million, from RM48.5 million recorded in the same period last year. The contraction was the result of an increase in raw materials cost, effective from the second half of 2008.

22. **Prospects for 2009**

The Group has intensified its focus on securing improvements in operational efficiency and cost containment. Implementation of these measures has helped mitigate effects of the existing challenging economic environment. The Group remains cautiously optimistic about results in the second half of the year.

23. **Profit forecast**

No commentary is made on any variance between actual profit from forecast profit, as it does not apply to the Group.

24. **Earnings per share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/06/2009 RM'000	Preceding year corresponding quarter 30/06/2008 RM'000	Six months to 30/06/2009 RM'000	Six months to 30/06/2008 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company	17,697	13,107	32,219	31,652
Weighted average number of ordinary shares in issue ('000)	106,978	106,963	106,978	106,963
Basic earnings per share	16.54 sen	12.25 sen	30.12 sen	29.59 sen

25. **Voluntary disclosure on Economic Profit ("EP") and headline Key Performance Indicators ("KPI")**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/06/2009 RM'000	Preceding year corresponding quarter 30/06/2008 RM'000	Six months to 30/06/2009 RM'000	Six months to 30/06/2008 RM'000
Economic Profit	16,479	10,113	29,323	24,215

Explanatory notes

The EP statement is as prescribed under the GLC Transformation program, and is disclosed on a voluntary basis. EP is a measure of value created by a business during a single period reflecting how much return a business makes over its cost of capital.

The improvements in the EP performance for the current quarter and year-to-date was mainly due to the combination factors of better margins earned in the current quarter and gain on disposal of property, plant and equipment.

As announced in the last quarter of 2008, the Group has set its main headline Key Performance Indicators ("KPI") for 2009 of 6% Revenue Growth and 15% Return On Equity ("ROE") and will endeavour to meet the expectations.

By Order of the Board

Kuala Lumpur
21 August 2009

WONG LEE LOO (MAICSA 7001219)
NORHANA BINTI OTHMAN (LS0008547)
Joint Secretaries