

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current year quarter	Preceding year corresponding quarter	Nine months to	Nine months to
		30/09/2009	30/09/2008	30/09/2009	30/09/2008
		RM'000	RM'000	RM'000	RM'000
1.	(a) Revenue	329,962	314,288	976,890	977,403
	(b) Cost of sales	(283,779)	(260,955)	(825,621)	(805,466)
	(c) Gross profit	46,183	53,333	151,269	171,937
	(d) Other income	172	201	4,707	1,035
	(e) Expenses	(35,572)	(33,560)	(98,473)	(102,192)
	(f) Finance costs	(1,062)	(1,661)	(3,321)	(4,677)
	(g) Share of results of associate	(294)	(672)	(234)	-
	(h) Profit before income tax	9,427	17,641	53,948	66,103
	(i) Income tax	(3,032)	(6,593)	(14,337)	(22,616)
	(j) Profit for the period	6,395	11,048	39,611	43,487
Attributable to:					
	(k) Equity holders of the Company	6,059	10,590	38,279	42,242
	(l) Minority interest	336	458	1,332	1,245
		6,395	11,048	39,611	43,487
2.	Basic earnings per share attributable to equity holders of the Company	5.66 sen	9.90 sen	35.78 sen	39.49 sen

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 30/09/2009 RM'000	Audited As at preceding financial year end 31/12/2008 RM'000
ASSETS		
1. Non-current assets		
Property, plant and equipment	263,519	257,804
Prepaid lease payments	3,054	3,116
Investments in associated companies	7,148	7,382
Goodwill	30,620	30,620
Other intangible assets	261	735
Deferred tax assets	4,705	3,246
	309,307	302,903
2. Current assets		
Inventories	197,595	162,210
Receivables	260,091	167,300
Amounts due from related companies	20,898	19,752
Amounts due from associated companies	1,542	3,091
Tax recoverable	9,245	1,607
Fixed deposits	35,800	58,300
Cash and bank balances	19,760	35,873
	544,931	448,133
3. Non-current assets held for sale	14,593	47,282
Total assets	868,831	798,318

III. CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)

	Unaudited As at end of current quarter 30/09/2009 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	(3,475)	(6,491)
Retained earnings	281,717	265,101
	<u>407,667</u>	<u>388,035</u>
5. Minority interest	15,499	14,167
Total equity	<u>423,166</u>	<u>402,202</u>
6. Non-current liabilities		
Long term borrowings	8,546	26,238
Deferred tax liabilities	3,131	3,236
	<u>11,677</u>	<u>29,474</u>
7. Current liabilities		
Payables	365,436	265,371
Amount due to immediate holding company	176	21
Amounts due to related companies	210	2,244
Amounts due to associated companies	1,552	2,112
Taxation payable	3,571	981
Dividend payable	-	6
Short term borrowings	40,485	41,722
Current portion of long term borrowings	22,558	54,185
	<u>433,988</u>	<u>366,642</u>
Total liabilities	<u>445,665</u>	<u>396,116</u>
Total equity and liabilities	<u>868,831</u>	<u>798,318</u>
8. Net assets per share attributable to ordinary equity holders of the Company	<u>RM3.81</u>	<u>RM3.63</u>

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 Nine months to 30/09/2009 RM'000	Unaudited Nine months to 30/09/2008 RM'000
Operating activities		
Cash receipts from customers and related parties	919,940	1,001,482
Cash payments to suppliers	(797,717)	(779,477)
Cash payments to employees and for expenses	(89,243)	(103,614)
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Cash generated from operations	32,980	118,391
Interest paid	(2,417)	(2,859)
Profit on Murabahah Commercial Paper paid	(485)	(1,255)
Income taxes paid	(20,948)	(19,698)
Interest received	36	23
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Net cash generated from operating activities	9,166	94,602
Investing activities		
Proceeds from disposal of property, plant and equipment	118	216
Partial proceeds from disposal of non-current asset held for sale	32,150	-
Deposit for disposal of non-current asset held for sale	2,189	350
Purchase of property, plant and equipment	(6,235)	(14,405)
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Net cash generated from / (used in) investing activities	28,222	(13,839)
Financing activities		
Repayments of short term borrowings	(4,706)	(22,331)
Proceeds from issuance of shares – exercise of share options	-	52
Dividend paid	(21,663)	(19,253)
Redemption of Murabahah Commercial Papers	(16,000)	-
Redemption of Murabahah Medium Term Notes	(15,000)	(5,000)
Repayment of term loan	(14,850)	(13,500)
Term loan interest paid	(777)	(1,546)
Profit on Murabahah Medium Term Notes paid	(1,388)	(1,785)
Fixed deposits pledged	-	1
	<hr/>	<hr/>
Net cash used in financing activities	(74,384)	(63,362)
	<hr/>	<hr/>
Net change in cash and cash equivalents	(36,996)	17,401
Currency translation differences	(1,617)	(411)
Net cash and cash equivalents as at beginning of financial period	94,173	56,132
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Net cash and cash equivalents as at end of financial period (a)	55,560	73,122

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

	Unaudited As at 30/09/2009 RM'000	Unaudited As at 30/09/2008 RM'000
(a) Cash and cash equivalents comprise the following amounts:		
Cash and bank balances	19,760	73,122
Fixed deposits	35,800	7
	<u>55,560</u>	<u>73,129</u>
Less: Fixed deposits pledged to banks	-	(7)
Cash and cash equivalents	<u><u>55,560</u></u>	<u><u>73,122</u></u>

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
Nine months to 30 September 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	-	-	3,016	-	3,016	-	3,016
Profit for the period	-	-	-	38,279	38,279	1,332	39,611
Total recognised income and expense for the period	-	-	3,016	38,279	41,295	1,332	42,627
2008 final gross dividend of 27.0%, less taxation of 25%	-	-	-	(21,663)	(21,663)	-	(21,663)
Balance as at 30 September 2009	<u>106,978</u>	<u>22,447</u>	<u>(3,475)</u>	<u>281,717</u>	<u>407,667</u>	<u>15,499</u>	<u>423,166</u>

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

	← Equity attributable to equity holders of the Company →							
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Exchange reserves RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
Nine months to 30 September 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	-	-	-	1,135	-	1,135	-	1,135
Profit for the period	-	-	-	-	42,242	42,242	1,245	43,487
Total recognised income and expense for the period	-	-	-	1,135	42,242	43,377	1,245	44,622
2007 final 18.0% tax exempt dividend	-	-	-	-	(19,253)	(19,253)	-	(19,253)
Employee share option scheme:								
- shares issued	15	37	-	-	-	52	-	52
- options lapsed	-	-	(550)	-	550	-	-	-
Employee equity scheme:								
- options granted	-	-	344	-	-	344	-	344
Balance as at 30 September 2008	<u>106,978</u>	<u>22,447</u>	<u>3,222</u>	<u>(2,546)</u>	<u>244,090</u>	<u>374,191</u>	<u>14,034</u>	<u>388,225</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 September 2009.

5. Material changes in estimates used

There were no other changes in estimates of amounts reported in prior interim periods 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 equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period ended 30 September 2009 except for the redemption of RM16 million Murabahah Commercial Papers in February 2009 and RM15 million Murabahah Medium Term Notes in September 2009.

7. Dividend

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

A final gross dividend of 27 sen less taxation of 25% (2007: 18 sen 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 September 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	2,498	966,857	7,535	-	-	976,890
Inter-segment revenue	108,484	-	-	31,414	(139,898)	-
Total revenue	110,982	966,857	7,535	31,414	(139,898)	976,890
Results						
Segment results	10,376	44,109	(1,051)	23,739	(9,214)	67,959
Unallocated corporate expenses						(11,122)
Profit from operations						56,837
Interest expense	-	(2,557)	-	(2,533)	1,769	(3,321)
Interest income	-	663	3	1,769	(1,769)	666
Share of results of associate						(234)
Profit before income tax						53,948
Income tax						(14,337)
Profit for the period						39,611
Attributable to:						
Equity holders of the Company						38,279
Minority interest						1,332
						39,611

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. Payments totalling RM32.5 million have been received, of the total consideration of RM35.0 million. As a result, the sale of the assets had been recognised in the second quarter 2009 with a gain on disposal of RM2.3 million.

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 Wuxi Intermediate People's Court issued a bankruptcy order against Wuxi Worldbest Treeful Pharma Pharmaceutical Co. Ltd. ("WWTPP") on 10 August 2009 and pursuant to the said order and after distribution of payments to WWTPP's secured and preferential creditors, Pharmaniaga Pengasus (Seychelles) Co. Ltd. will be able to recover RMB 31,385 from the amount claimed in the proof of debt amounting to RMB 82,200.

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 30/09/2009
	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	3,747	(3,212)	17,051
Total	61,516	3,747	(3,212)	62,051

12. Capital commitments

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

	As at 30/09/2009 RM'000
Authorised and contracted for:	
- acquisition of property, plant and equipment	<u>8,445</u>

13. **Income tax**

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Nine months to	Nine months to
	30/09/2009	30/09/2008	30/09/2009	30/09/2008
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation				
- Current taxation	3,611	2,793	14,188	18,336
- Zakat	-	1,300	-	1,300
- Deferred taxation	(918)	2,063	(918)	1,747
Sub-total	<u>2,693</u>	<u>6,156</u>	<u>13,270</u>	<u>21,383</u>
Foreign taxation				
- Current taxation	672	658	1,713	1,735
- Deferred taxation	(333)	(221)	(646)	(502)
Sub-total	<u>339</u>	<u>437</u>	<u>1,067</u>	<u>1,233</u>
Grand Total	<u><u>3,032</u></u>	<u><u>6,593</u></u>	<u><u>14,337</u></u>	<u><u>22,616</u></u>

The Group's effective tax rate for the current quarter is 32%, which is higher than the statutory tax rate of 25% as a result of non-allowable expenses and losses in a subsidiary which has yet to commence operation.

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 other than securities in an existing subsidiary as at 30 September 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%. The company has submitted an application for extension of the rectification of the public shareholding spread on 4 November 2009 for a period of 3 months from 5 November 2009.
- (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 RM35.0 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 September 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	-	-	-	-	13,771	13,771
- Murabahah Medium Term Notes	-	-	-	-	14,908	14,908
<u>Other borrowings</u>						
Domestic						
- Term loan	5,850	-	5,850	7,650	-	7,650
Foreign						
Indonesia Rupiah						
- Term loan	2,671	-	2,671	26,546	-	26,546
- Hire purchase	25	-	25	168	-	168
TOTAL	8,546	-	8,546	34,364	28,679	63,043

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 court has yet to fix any date for the case management on Safri's appeal.

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 RM330.0 million, revenue for the third quarter of 2009 recorded a marginal decline from the RM333.2 million recorded in the immediate preceding quarter. This was mainly due to a small contraction in concession sales as well as expiry of some tender sales.

Group profit before taxation in the third quarter of 2009 was down by 61.3% at RM9.4 million, compared to RM24.3 million registered in the immediate preceding quarter as a result of lower gross profit margin and lower other income.

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

In the current quarter under review, the Group's revenue increased by 5.0% to RM330.0 million, from RM314.3 million registered in the same quarter last year. This was mainly contributed by 9.3% increase in concession sales and sales by the Indonesian subsidiary which improved by 15.1%.

The Group's profit before taxation slipped by 46.5% to RM9.4 million from RM17.6 million in the same period last year. This was largely attributed to lower gross profit margin.

The Group's year-to-date revenue at RM976.9 million was stable compared with the same period in 2008. The Group's year-to-date profit before taxation contracted by 18.4% to RM53.9 million from RM66.1 million recorded in the same period last year. The contraction was the result of lower gross profit margin.

22. **Prospects for 2009**

The existing economic environment remains challenging. The Group anticipates a slight shortfall in its projected revenue growth and Return On Equity for the full 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.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/09/2009 RM'000	Preceding year corresponding quarter 30/09/2008 RM'000	Nine months to 30/09/2009 RM'000	Nine months to 30/09/2008 RM'000
Basic earnings per share				
Profit attributable to equity holders of the Company	6,059	10,590	38,279	42,242
Weighted average number of ordinary shares in issue ('000)	106,978	106,978	106,978	106,968
Basic earnings per share	<u>5.66 sen</u>	<u>9.90 sen</u>	<u>35.78 sen</u>	<u>39.49 sen</u>

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/09/2009 RM'000	Preceding year corresponding quarter 30/09/2008 RM'000	Nine months to 30/09/2009 RM'000	Nine months to 30/09/2008 RM'000
Economic Profit	3,421	6,418	27,951	30,673

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 EP performance for the current period is recorded at RM3.4 million as compared to RM6.4 million in the same period of 2008.

The decrease in EP performance for the current quarter and year-to-date was mainly due to lower earnings in the current quarter ended 30 September 2009.

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 those expectations.

By Order of the Board

Kuala Lumpur
13 November 2009

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