

Chairman's Statement



TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN
Chairman

Dear Shareholders

It is with pleasure that I present you the annual report and financial statements of the Company for the financial year ended 31 December 2011. Overall, the Company performed well and it leaves the year with a lot of positives, aided no doubt by the fact that the Malaysian economy performed admirably despite the global economy uncertainties, driven by the European financial crisis.

INDUSTRY TRENDS & DEVELOPMENT

Global spending on medicines is projected to hit US\$1.1 trillion (RM3.07 trillion) by 2015, and this is an indication of the vast potential opportunities that awaits the Company. The Healthcare sector is a powerful engine for economic growth due to demographic shifts as well as greater affluence and changing lifestyles.

Another phenomena which will change the industry landscape will be the 'Patent Cliff'. Over the next 10 years, innovator blockbuster medicines, worth about RM435 billion in annual sales are set to go off patent. This presents a huge opportunity for generic manufacturing companies like ours to expand our business. This phenomena has seen innovator companies to collaborate with generic players to participate in the generic space.

The Malaysian pharmaceutical industry was estimated to be worth about RM4.83 billion as at end 2011, growing at 6.85 per cent from RM4.52 billion in 2010. I am pleased to inform Shareholders that our Company enjoyed a sizeable portion of this business as it continues to be one of the leading manufacturers in the industry.

Under the 10th Malaysian Plan, the Government aims to grow the pharmaceutical industry which has been identified as one of the 12 National Key Economic Areas (NKEAs). The 2010 Healthcare NKEA Lab resulted in six Entry Point Projects (EPPs) and two business opportunities, which combined, are expected to generate RM35.3 billion incremental Gross National Impact (GNI) and 181,000 new jobs by the year 2020.

Safety, Efficacy and Quality of medicines produced in Malaysia is among the best in the region. The Ministry of Health continues to enhance the regulatory standards in Malaysia which requires industry players to further invest in technology and human capital as well as upgrading of facilities. This forces the industry to rationalise and consolidate, as remaining in the industry will require major capital expenditure.

The Company continues to penetrate the halal market both locally and internationally. The 1.6 billion Muslims are a huge potential market for halal pharmaceutical products. The global market value for halal products is estimated at US\$2.1 trillion a year. The move would also open doors for the Company to the lucrative Middle East and North Africa market.

GROUP'S PERFORMANCE

The Malaysian Standard : MS2424:2010 Halal Pharmaceuticals – General Guidelines has already been established by the authorities which provides an opportunity for the Company in the halal pharmaceutical market as we have been in the forefront of producing halal pharmaceutical products for many years.

In 2011, the Company recorded a 5.1 per cent increase in revenue to RM138.13 million for its financial year ended 31 December 2011 from RM131.44 million in the previous financial year. The improved sales performance was mainly attributed to the private sector.

However, there was a two per cent drop in the profit before tax from RM35.41 million in 2010 to RM34.73 million. This was mainly due to additional depreciation due to the construction of the new warehouse, consultancy costs which was incurred in reviewing future business strategies as well as unfavourable foreign exchange differences.

PROSPECTS

During the year under review we have identified key markets for the company to expand its international business, strengthened our R&D capabilities to address future product pipelines and commissioned the new state-of-the-art warehouse to improve good storage practice as well as supply efficiency.

In 2011, the Company also laid the groundwork for growing its presence in the Asean region to effectively tap its market of 600 million people. Besides exports to several countries within Asean, the Company successfully completed in 2011 its 10-year

strategic plan for growth in the export business and expansion into Indonesia, Philippines and Vietnam.

In line with the financial performance, the Board of Directors has recommended a final dividend of 29 per cent (14.5 sen) per share less 25 per cent income tax resulting to a total dividend payout of 36 per cent (18 sen) per share for 2011. This amounts to approximately RM19.96 million. In contrast, 2010 saw a total dividend of 31 per cent (15.5 sen) per share, totalling approximately RM21.5 million. The basic earnings per ordinary share eased to 19.24 sen in 2011 from 20.65 sen in 2010.

The Company is also mindful of the host of opportunities that arise as Malaysia's population ages – with more elder people than younger ones. Among the opportunities that the Company seeks to tap will be the greater demand for wellness and therapeutic products both to keep disease at bay and to treat those that arise. All of these including the various initiatives planned by the Management will lead the Company towards strengthening our position in the market.

APPRECIATION

The Company's Board of Directors joins me in expressing our sincere gratitude and appreciation to our dedicated management and employees for demonstrating an excellent spirit of teamwork in striving towards realising the Company's objectives and expectations.

On behalf of the Board of Directors, I would also like to express our thanks and appreciation for the invaluable contributions of Dato' Dr. Mohamad. Hashim Ahmad Tajudin, who has left the Board during the course of the year. I am also pleased to welcome Encik Amirul Feisal Wan Zahir to the Board of the Company.

My thanks also go to my fellow Directors for their guidance and wisdom in the interests of the betterment of the Company. Our deepest gratitude is extended to our stakeholders, i.e. shareholders, customers, business associates, partners and employees for their unwavering support for the Company.

TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN
Chairman