



Chairman's
STATEMENT



Tan Sri Dato' Dr. Abu Bakar bin Suleiman
Chairman



Dear Shareholders,

The pharmaceutical industry in Malaysia has become one of the rapidly expanding industries in our economy. Industry analyst, IMS Healthcare predicts that the industry would experience a compound annual growth rate (CAGR) of 9.5% for the period 2009-2014, by the end of which the industry should be worth approximately RM5.4 billion.



The Healthcare industry is one of the four sectors that have been targeted to increase the nation's gross national income (GNI) contribution by 22%, delivering a total of RM16.6 billion by 2020. The generic pharmaceutical industry is one of the 13 Entry Point Projects (EPPs) related to the healthcare sector under the National Key Economic Areas (NKEA), recognising the industry as a strategic economic segment to be developed as an engine of growth for the Malaysian economy.

Amidst this backdrop and despite continued uncertainties in the global economic environment, your Company continued to perform admirably, taking advantage of a host of new opportunities that have emerged and continue to emerge as a result of the "Patent Cliff". Throughout 2011 and 2012, some of the biggest blockbuster medicines in history lost their patent protection. In the course of the next decade, innovator blockbuster medicines with a global value of about RM435 billion in annual sales are expected to go off patent. For generic manufacturing companies such as ours, this presents a huge opportunity to expand our business via both development of new generic products and collaborations with innovator companies.

Ever increasing regulatory requirements continue to be a challenge and has necessitated increased Capital Expenditure to keep pace with new requirements. In addition, your Company has been preparing for the advent of compulsory Bio-Equivalency requirements in Malaysia that has temporarily increased its expense base.

Overall, your Company sustained its market growth and increased profitability through an array of strategic initiatives, designed to fulfil the needs of both the domestic and export markets, particularly in ASEAN. This included focusing on higher margin products, selective regional expansion and accelerating research and development (R&D) initiatives.

On the Safety, Health and Environment performance of your Company, 2012 saw a marked improvement in performance largely driven by the commitment and increased awareness of all the staff in this area.

With this, I present to you the Annual Report and financial statements of the Company for the financial year ended 31 December 2012.

OUR FINANCIAL PERFORMANCE

Our Profit Before Tax (PBT) for the financial year rose by 1.6% to RM35.3 million compared to RM34.7 million for the corresponding period in 2011. The growth was largely due to the increase in gross profit margins. Gains from disposal of warehouses and recognition in changes of fair value in investment properties amounting to RM0.6 million and RM0.7 million respectively during the financial year helped in reducing the impact of expense increased during the year.



Chairman's STATEMENT cont'd

However, there was a 2% drop on the revenue for 2012 which was recorded at RM135.3 million, due to lower demand from the private sector.

DIVIDEND PAYOUT

The Board of Directors is recommending a final dividend of 10.5 sen per ordinary share, tax exempt dividend under the single-tier tax system for the financial year ended 31 December 2012.

BUSINESS OUTLOOK & PROSPECTS

As we navigate through 2013, we have earmarked many new opportunities and emerging trends in the industry, focusing especially on the biosimilar market. According to IMS Healthcare, in the first half of 2011, the biosimilar market was valued at US\$378 million globally. It is expected to touch between US\$1.9-2.6 billion by 2015, highlighting the exponential growth expected in this segment in these next few years.

With Malaysia's growing ageing population and increased affluence, your Company sees a host of opportunities that are in store with regards to the greater demand for wellness and therapeutic products.

The consumption of pharmaceutical products in emerging economies such as China and Brazil have surpassed Western economies, and Malaysia too is on the cusp of this expansion. In the last decade, the Malaysian pharmaceutical market grew at between 8-10% annually, according to the Malaysian Organisation of Pharmaceutical Industries (MOPI). Your Company looks forward to being at the forefront of this growth and leading the change forward for the local industry.

We anticipate increasing growth in our Halal products with increasing opportunity to capitalise on the global Halal marketing network that our government has already put in place. 2012 saw your Company's manufacturing assets in Klang being the first recipient of the world's first Halal Pharmaceutical Standard (MS2424:2012 Halal Pharmaceutical General Guidelines).

This year, the Company will continue to focus on its core strategies which are to commercialise niche high value products such as biosimilars and High Potency Active Products; develop our Halal market segment by increasing Halal pharmaceuticals, expand sales to more ASEAN countries, and strengthen our product portfolio through increased investments in research and development activities, as well as collaborations with local and multinational companies.

The changing healthcare landscape, expiring patents and generic competition, pricing pressures, heightened regulatory scrutiny, expansion into emerging markets, increasing alliances and acquisitions, as well as a persistent economic slowdown, are prompting companies in the global life sciences industry to adopt new business models to deliver better patient outcomes at lower cost and position themselves for success in 2013 and beyond.

ACKNOWLEDGEMENTS

I would be amiss if I did not express my gratitude to the various parties who have been instrumental in the growth of your Company. On behalf of your Company's Board of Directors, I would like to thank our dedicated team of managers and employees, without whom our goals and aspirations would not have eventuated.

My utmost gratitude goes out to my fellow Directors for their expertise and wisdom in guiding our Company to greater heights. We also sincerely thank our shareholders, customers, business associates and partners who have stood shoulder-to-shoulder with the Company and lent us their unwavering support over the years. We would not have made it this far without you, and we look forward to many more years of rewarding relationships with all of you.

I wish you all a fulfilling year ahead

Tan Sri Dato' Dr. Abu Bakar bin Suleiman
Chairman