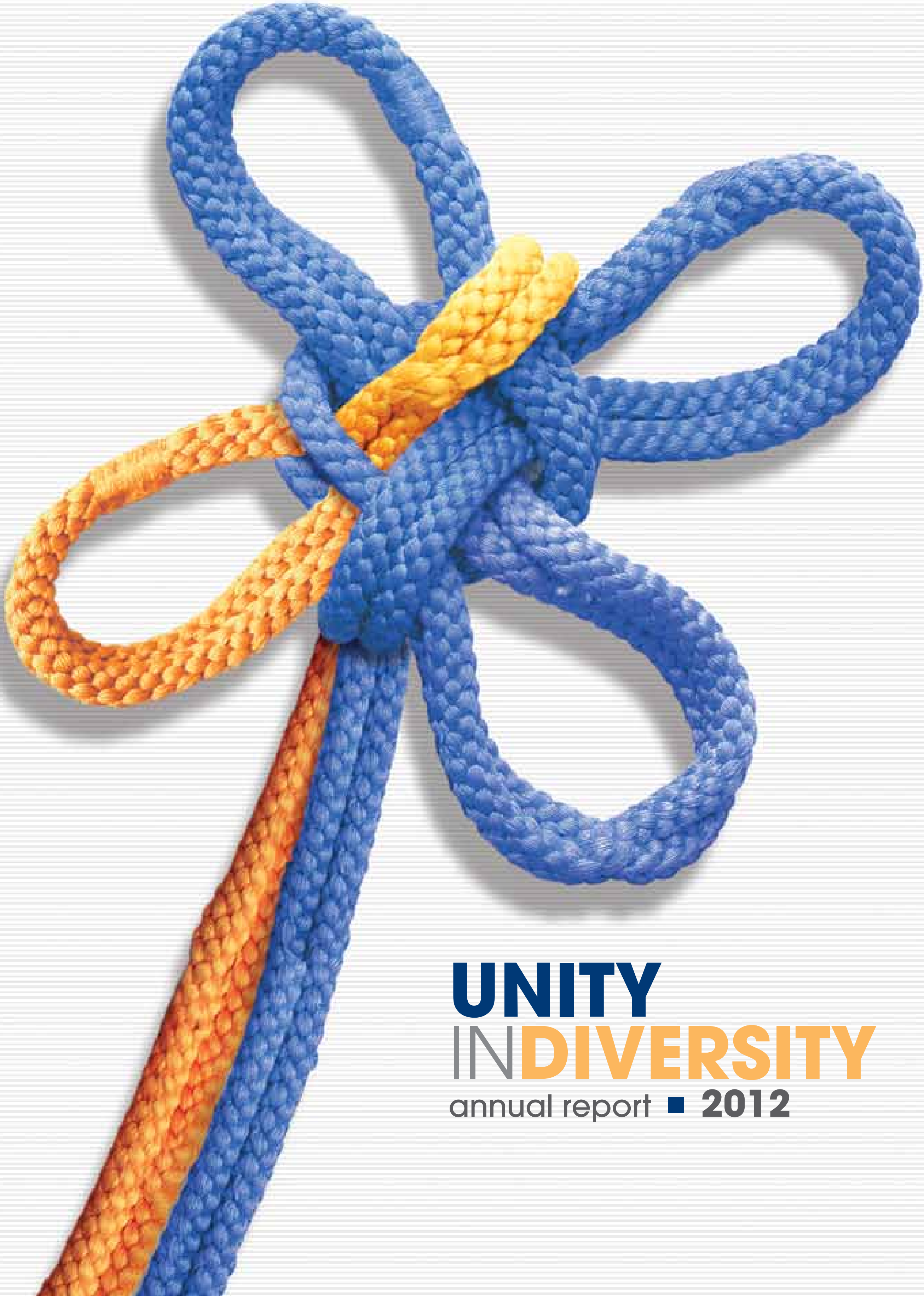
pharmaniaga



UNITY IN DIVERSITY

annual report ■ 2012

CONTENTS




PHARMANIAGA BERHAD 2012 ANNUAL REPORT

RATIONALE

As we pursue boundless possibilities that come our way, our well-established core values of Respect, Integrity, Teamwork and Excellence is what ties our diverse workforce together. Intertwining these values with strength and confidence, Pharmaniaga is geared for an exciting future.

ABOUT US

Pharmaniaga Berhad is the largest integrated local healthcare company in Malaysia. We are a public listed company on the main market of the Bursa Malaysia Securities Berhad with a paid up share capital of RM117.7 million. Pharmaniaga's principal activities include manufacturing of generic pharmaceuticals, logistics and distribution, sales and marketing, supply of medical products & services and hospital equipping. The essence of Pharmaniaga is the seamless amalgamation of these key disciplines, represented by an entirely integrated group of companies, processes and people that uphold our commitment to deliver quality products and services at all times. This is driven by our goal to enrich the lives of all those we come into contact with, be it our employees, customers and business partners, or the patients who benefit from our products and services. Our commitment to enriching life together is guided by our philosophy of doing business with conscience; a philosophy we will continue to nurture as we journey towards becoming a global total integrated healthcare solutions provider.

OUR CORE VALUES

Respect

Dignity | Trust | Open-mindedness
Fairness | Honour

Integrity

Conscience | Truthfulness
Accountability | Sincerity

Teamwork

Unity | Commitment | Harmony
Co-Operation | Collaboration

Excellence

Professionalism | Pride | Competitiveness
Proactiveness | Courage

PERFORMANCE HIGHLIGHTS

Revenue

RM1.8b

- RM1.5 billion in 2011
- Increase due to higher sales volume to the Government and improvement in operational efficiencies

Earnings Per Share

52.4 sen

- 44.3 sen in 2011
- Net asset per share RM4.01 (RM3.96 in 2011)

Profit Before Taxation

RM103.3m

- RM73.2 million in 2011
- 41% jump from 2011

Net Dividend Per Share

35.0 sen

- 27.8 sen in 2011
- Shareholders' funds stood at RM472 million (RM466 million in 2011)

VISION

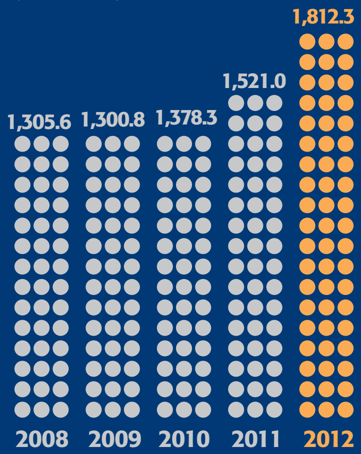
The preferred pharmaceutical brand in regional markets

MISSION

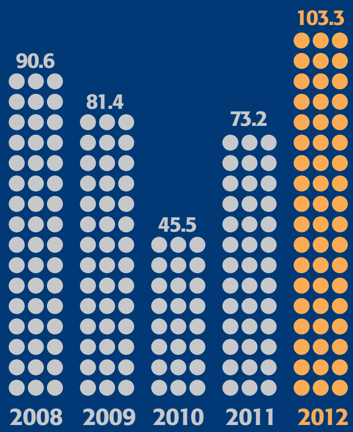
Provide quality products and superior services by professional, committed and caring employees

FIVE-YEAR FINANCIAL HIGHLIGHTS

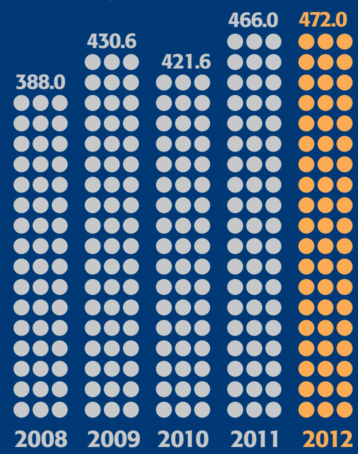
Revenue
(RM Million)



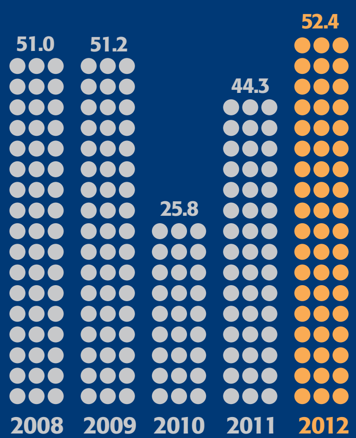
Profit Before Tax
(RM Million)



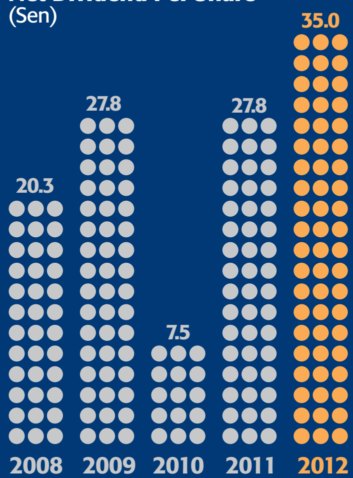
Shareholders' Equity
(RM Million)



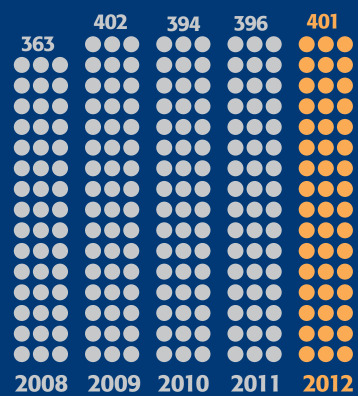
Earnings Per Share
(Sen)



Net Dividend Per Share
(Sen)



Net Assets Per Share
(Sen)



		2012	2011	2010	2009	2008
FINANCIAL PERFORMANCE						
Revenue		**1,812.3**	1,521.0	1,378.3	1,300.8	1,305.6
Profit before taxation		**103.3**	73.2	45.5	81.4	90.6
Profit after taxation		**63.2**	52.8	30.3	61.7	61.4
Net attributable profit		**61.7**	52.2	30.4	60.2	60.0
Earnings per share	sen	**52.4**	44.3	25.8	51.2	51.0
Return on equity	%	**13.1**	11.7	7.0	4.7	16.3
Return on assets	%	**10.0**	8.0	6.1	10.6	11.5
Return on revenue	%	**6.5**	5.1	3.6	6.6	7.4
DIVIDENDS						
Dividend payout	%	**66.8**	61.1	26.3	49.3	36.0
Dividend payment		**41.2**	31.9	8.0	29.7	21.6
Net dividend per share	sen	**35.0**	27.8	7.5	27.8	20.3
Dividend yield - net of tax	%	**4.3**	4.7	1.4	6.3	5.8
Dividend cover	times	**1.5**	1.6	3.8	2.0	2.8
GEARING						
Borrowings		**341.0**	188.3	33.1	65.5	122.1
Gearing	times	**0.7**	0.4	0.1	0.2	0.3
Interest cover	times	**7.9**	18.6	12.2	19.2	15.5
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	**401**	396	394	402	363
Price earning ratio	times	**15.4**	13.3	21.1	8.6	6.9
Paid up share capital		**117.7**	117.7	107.0	107.0	107.0
Shareholders' equity		**472.0**	466.0	421.6	430.6	388.0
Total equity		**487.9**	481.7	437.0	446.3	402.2
Total assets		**1,222.8**	1,133.5	801.9	818.2	798.3

All figures are in RM Million unless otherwise stated.

CORPORATE INFORMATION

Board of Directors
Tan Sri Dato' Seri Lodin Wok Kamaruddin
Chairman

Dato' Farshila Emran
Managing Director

Mohd Suffian Haji Haron

Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)

Daniel Ebinesan

Izzat Othman

Company Secretaries
Sharifah Malek (LS00448)
Nor Azrina Zakaria (LS0009161)

Stock Exchange Listing
Bursa Malaysia Securities Berhad
Main Market - Trading/Services

Registered Address
28th Floor, Menara Boustead
No. 69 Jalan Raja Chulan
50200 Kuala Lumpur
Tel : +603-2141 9044
Fax : +603-2141 9750

Business Address
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

Principal Bankers
Affin Islamic Bank Berhad
Standard Chartered Bank Malaysia Berhad
HSBC Bank Malaysia Berhad
Bank Islam Malaysia Berhad
Hong Leong Islamic Bank Berhad
The Bank of Nova Scotia Berhad
AmIslamic Bank Berhad

Auditors
Messrs. PricewaterhouseCoopers

Share Registrar
Tricor Investor Services Sdn. Bhd.

FINANCIAL CALENDAR

Financial Year

1 January 2012 to
31 December 2012

Results

First quarter
Announced
3 May 2012

Second quarter
Announced
8 August 2012

Third quarter
Announced
6 November 2012

Fourth quarter
Announced
18 February 2013

Annual Report

Issued
12 March 2013

Annual General Meeting

To be held
3 April 2013

Dividends

First interim
Announced
3 May 2012

Entitlement date
18 May 2012

Payment date
18 June 2012

Second interim
Announced
8 August 2012

Entitlement date
27 August 2012

Payment date
12 September 2012

Third interim
Announced
6 November 2012

Entitlement date
23 November 2012

Payment date
17 December 2012

Fourth interim
Announced
18 February 2013

Entitlement date
6 March 2013

Payment date
27 March 2013

BOARD OF DIRECTORS

Tan Sri Dato' Seri Lodin Wok Kamaruddin
Chairman

Dato' Farshila Emran
Managing Director

Mohd Suffian Haji Haron

Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)

Daniel Ebinesan

Izzat Othman

PROFILE OF DIRECTORS

Tan Sri Dato' Seri Lodin Wok Kamaruddin

Non–Independent
Non–Executive Chairman
Aged 63, Malaysian

Tan Sri Dato' Seri Lodin Wok Kamaruddin was appointed to the Board of Pharmaniaga Berhad on 29 April 2011. He is also a member of the Nomination Committee and Remuneration Committee.

He is currently the Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT) and Deputy Chairman/Group Managing Director of Boustead Holdings Berhad (BHB).

Tan Sri Dato' Seri Lodin graduated from The University of Toledo, Ohio, United States of America with a Bachelor of Business Administration and Master of Business Administration. He has extensive experience in managing a provident fund and in the establishment, restructuring and management of various business interests ranging from plantation, trading, financial services, property development, oil and gas, pharmaceuticals and shipbuilding.

Tan Sri Dato' Seri Lodin is the Chairman of Boustead Heavy Industries Corporation Berhad and Pharmaniaga Berhad. He is also the Deputy Chairman of Affin Holdings Berhad and sits on the Boards of Affin Bank Berhad, Affin Islamic Bank Berhad, Affin Investment Bank Berhad, AXA AFFIN Life Insurance Berhad, MHS Aviation Berhad, FIDE Forum, 1Malaysia Development Berhad and Badan Pengawas Pemegang Saham Minoriti Berhad.

Among the many awards Tan Sri Dato' Seri Lodin received to-date include the Chevalier De La Légion D'Honneur from the French Government, the Malaysian Outstanding Entrepreneurship Award, the Degree of Doctor of Laws honoris causa from the University of Nottingham, United Kingdom, the UiTM Alumnus of The Year 2010 Award and The BrandLaureate Most Eminent Brand ICON Leadership Award 2012.

Dato' Farshila Emran was appointed to the Board of Pharmaniaga Berhad on 25 March 2011. She has been the Managing Director of the Company since 13 April 2011.

An EXCO member of the Malaysian Pharmaceutical Organisation Board, Dato' Farshila also contributes as a member of the advisory committee for women in business under the Federation of Malaysian Manufacturers (FMM) as well as the National Association of Women Entrepreneurs of Malaysia (NAWEM).

Dato' Farshila has vast experience and knowledge in developing and managing businesses in various fields. Prior to founding Idaman Pharma Manufacturing Sdn. Bhd., she was an Assistant Representative of SEVES Sediver France from 1990 to 1995, a public listed high voltage transmission line equipment company in France. She was later made a Representative of that company for Malaysia until 2001.

She holds a Diploma in Office Management from Universiti Teknologi MARA and Master of Business Administration (C) from Universiti Utara Malaysia.

Among the many awards Dato' Farshila received include the Kesatria Puteri Korporat Award. This prestigious award coupled with her active role in Women Directors' Programme, an initiative of the Ministry of Women, Family and Community Development, Malaysia testify to her shared commitment in achieving the Government's aspiration that women must comprise at least 30% of the decision-making positions in the corporate sector by 2016.

Dato' Farshila Emran

Managing Director
Aged 47, Malaysian

PROFILE OF DIRECTORS

Mohd Suffian Haji Haron

Senior Independent
Non–Executive Director
Aged 67, Malaysian

Mohd Suffian Haji Haron has been appointed to the Board of Pharmaniaga Berhad on 29 April 2011. He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

He obtained his Bachelor of Economics from Universiti Malaya in 1970 and did his Master of Business Administration in 1976 at the University of Oregon, United States of America.

He started his career as a Diplomatic and Administrative Officer, attached to the Implementation and Coordination Unit of the Prime Minister's Department and left the Government (after 13 years of service), and served for a Government-Linked Company for 6 years. He has vast experience in the insurance, financial, securities and asset management sectors as well as trading, energy and oil and gas industries.

He currently sits as an Independent Non-Executive Director of Affin Bank Berhad, Affin Islamic Bank Berhad and as Chairman of LK & Associates Sdn. Bhd.

Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)

Independent
Non–Executive Director
Aged 57, Malaysian

Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired) was appointed to the Board of Pharmaniaga Berhad on 29 December 2011. He is also a member of the Audit Committee.

Lieutenant General Dato' Seri Panglima Dr Sulaiman started his career as Medical Officer with Ministry of Defence and has served the Malaysian Armed Forces for more than 29 years. His last appointment with the Malaysian Armed Forces was as the Director General of Malaysian Armed Forces Health Services.

He holds Master of Health Planning from the University of New South Wales, Sydney, Australia, Diploma in Tropical Medicine and Hygiene from the Mahidol University, Thailand, Master of Public Health from the University of Philippines System, Manila, Philippines, Diploma in Principle of Military Medicine from the Academy of Health Sciences, Fort Sam Houston, Texas, United States of America and Doctor of Medicine (M.D.) from the Universiti Kebangsaan Malaysia.

He has vast experience in the management and supervision of Malaysian Armed Forces Health Services all over Malaysia. He was also involved in the supervision for the development of Hospital Angkatan Tentera Tuanku Mizan. Throughout his stint with Malaysian Armed Forces, he has built good relationship with local and foreign governments besides private sectors in medical field.

Currently, he is the President of Cyberjaya University College of Medical Sciences in Cyberjaya.

Daniel Ebinesan

Non–Independent
Non–Executive Director
Aged 67, Malaysian

Daniel Ebinesan was appointed to the Board of Pharmaniaga Berhad on 25 March 2011. He is also a member of the Audit Committee.

He is a Fellow of the Chartered Institute of Management Accountants (CIMA) and a member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (MIA).

He joined Boustead Holdings Berhad in April 1974 as the Group Accountant. In January 1982, he was promoted to Group Chief Accountant and subsequently in January 1993, he was promoted as the General Manager, Finance & Administration. In July 1996, he assumed the role of Chief Financial Officer and currently holds the position of Group Finance Director. He is responsible for all financial matters including acquisition of strategic businesses, treasury, risk management strategies and formulation of the Boustead Group's financial policies and tax planning.

He sits on the Board of Boustead REIT Managers Sdn. Bhd. which manages Al-Hadharah Boustead REIT, Malaysia's first and only Islamic plantation REIT. He has been a member of the Board of Trustees of Kumpulan Wang Simpanan Kakitangan Estet Malaysia since 1996 and has served as Chairman of the Board of Malaysian Care from November 1988 to March 2011.

Izzat Othman

Independent
Non–Executive Director
Aged 52, Malaysian

Izzat Othman was appointed as an Independent Non-Executive Director to the Board of Pharmaniaga Berhad on 25 March 2011. He is a lawyer by profession and is a partner of the law firm of Messrs. Azzat & Izzat.

He graduated with an LLB (Hons) in April 1985 from Universiti Malaya. Subsequently, he was admitted as an Advocate and Solicitor on 25 January 1986.

He was formerly a Director of AFFIN Securities Sdn. Bhd. and BH Insurance Berhad and has vast experience relating to litigation, conveyancing and corporate matters.

Note :

i) None of the Directors has any family relationship with any other Director and/or major shareholder nor conflict of interest with Pharmaniaga Berhad.

ii) None of the Directors has been convicted for any offences for the past 10 years (other than traffic offences, if any).

SENIOR MANAGEMENT TEAM

Dato' Farshila Emran
Managing Director

Mohamed Iqbal Abdul Rahman
Chief Operating Officer

Norai'ni Mohamed Ali
Chief Financial Officer

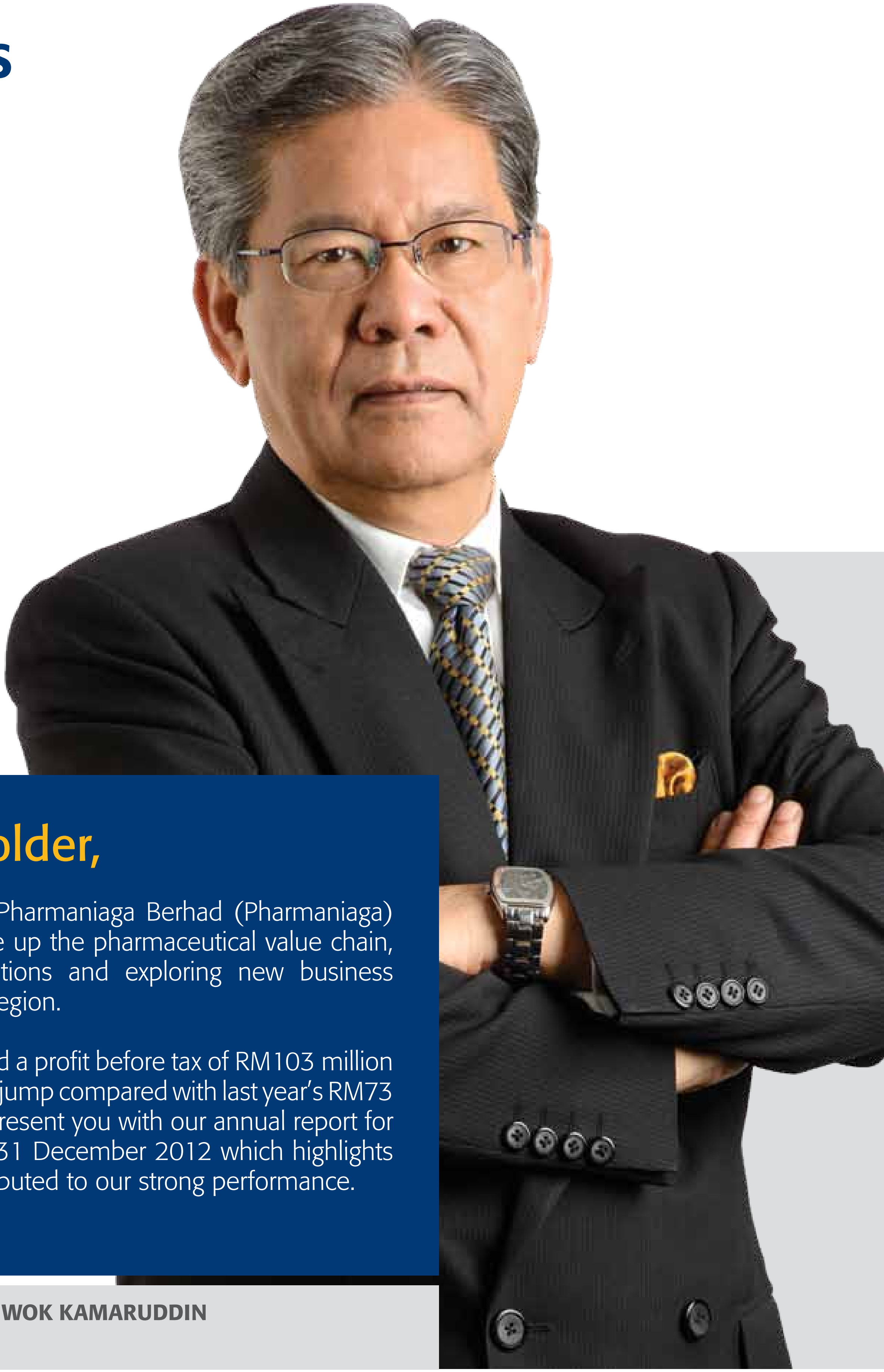
Datin Shamsinar Haji Shaari
Director, Manufacturing

Abdul Malik Mohamed
Director, Logistics & Distribution

Sharifah Fauziyah Syed Mohthar
Director, Regulatory Affairs & Customer Care

Jamaludin Elis
Director, Commercial

CHAIRMAN'S STATEMENT



Dear Shareholder,

It was a strong year for Pharmaniaga Berhad (Pharmaniaga) as we continued to move up the pharmaceutical value chain, strengthening our operations and exploring new business opportunities within the region.

On this score, we recorded a profit before tax of RM103 million marking a significant 41% jump compared with last year's RM73 million. I am pleased to present you with our annual report for the financial year ended 31 December 2012 which highlights the key factors that contributed to our strong performance.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
Chairman

ECONOMIC LANDSCAPE

Malaysia remains at the heart of a highly resilient region, with vast potential for growth in South East Asia despite the vagaries of the global economic instability given United States' fragile economy and the continued Eurozone crisis. In 2012, East Asia and Asia Pacific were significant drivers of the global economy compared with minimal growth rates recorded by the United States and Europe.

In spite of the soft global macroeconomic conditions, the Malaysian economy delivered solid growth in gross domestic product averaging at 5.6% for 2012, buoyed by robust domestic demand and substantial year-on-year growth in private and public spending.

As for the global pharmaceutical industry, it continues to flourish and is poised to expand even further, particularly in the world's emerging markets, many of which have seen an increasing prevalence of chronic diseases, healthcare reforms and increased affordability. Prospects for Malaysia's pharmaceutical sector remain bright and the industry has been identified as a strategic key growth area by the Malaysian Government.

In fact, the Pharmaceutical Association of Malaysia estimates that the Malaysian market for over-the-counter and prescription drugs will experience a compounded growth of 9.5% per annum from 2009 to 2014, with a projected worth of RM5.4 billion.

CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

A good number of initiatives has been executed in order to strengthen operational efficiencies, widen product prospects and expand areas of growth since the Boustead Group became the major shareholder in Pharmaniaga. These efforts have borne tangible results reflected by the leap in revenue to RM1.8 billion for the year under review compared with RM1.5 billion in the previous financial year.

Profit after tax jumped by 19% to RM63 million (2011: RM53 million). Earnings per share improved to 52.4 sen (2011: 44.3 sen). In tandem with this, net asset per share was RM4.01 (2011: RM3.96). Shareholders' funds stood at RM472 million at the close of the financial year compared with RM466 million last year. Our gearing stands at 0.7 times compared with 0.4 times in 2011. The increase in gearing was due to the acquisition of Idaman Pharma Manufacturing Sdn. Bhd. and working capital requirements. What is crucial to note is that our balance sheet remains strong, we have a good cash flow and profitability is on the rise. Hence, we are comfortable with our current gearing ratio.

DIVIDEND

On the back of such robust growth in earnings, the Board declared a fourth interim dividend of 10 sen per share which will be paid on 27 March 2013. Hence, total dividend for the year will be 35 sen with a dividend payout ratio of 67% and a dividend yield based on the closing price for the financial year of 4.3%.

EQUITY STRUCTURE

In an effort to improve the liquidity of Pharmaniaga Berhad shares while enhancing shareholder value, the Board has proposed a share split involving the subdivision of every one existing ordinary share of RM1 each into two ordinary shares of 50 sen each.

Consistent with our efforts to reward existing shareholders, the Board has also proposed a bonus issue of new ordinary shares on the basis of one bonus share for every 10 subdivided shares held.

HUMAN CAPITAL

The pharmaceutical sector is highly specialised and the talent required to drive the sector must be of strong calibre. I am pleased to note that the talent pool at Pharmaniaga is indeed a vibrant and capable one.

Much has been done to strengthen our talent pool and improve our internal human capital practices with a view to nurture the immense potential inherent within our Group. As we are part of the Boustead Group, Pharmaniaga has readily adopted the core values of respect, integrity, teamwork and excellence, which have been inculcated in our employees and have permeated all levels of our organisational structure.

Significant efforts have also been undertaken to ensure that the influx of talent from leading tertiary institutions to Pharmaniaga's talent pool remains uninterrupted. Testament to our commitment to cultivate a skilled workforce, Pharmaniaga was honoured as the winner of the country's Top 100 Leading Graduate Employers in the pharmaceutical industry by the Malaysian Graduate Barometer.

OUTLOOK

Despite the global challenges posed in 2012, Malaysia has emerged unscathed. While the year ahead may hold its share of uncertainties due to the ongoing Eurozone situation and slow growth projected for the United States, our outlook for 2013 remains optimistic.

A 15% increase in the national budget towards healthcare management and development services for 2013 indicates that the Government shares our confidence in the sector's growth prospects. Similarly, our 10-year Concession Agreement which extends through to 2019 is testament to the Ministry of Health's (MOH) confidence in the reliability of our products and services.

Our focus for the next financial year will be to emphasise on sales opportunities in our growth areas particularly targeted at the private sector. As a leading pharmaceutical Group, we will place much emphasis on research and development. Opportunities abound for the next few years as we have a pipeline of products that are in developmental stage. This range of products will be targeted for the local and international markets and we expect it to drive future growth for the Group.

ACKNOWLEDGEMENT

As we look towards our third year of strengthening Pharmaniaga in 2013, it is imperative that we acknowledge and thank those who have helped us deliver an excellent year of profitability and revenue.

On this note and on behalf of the Group, my deepest appreciation to the Board of Directors for their vast experience and wisdom that proved fundamental in steering Pharmaniaga towards success.

Our success would not have been achievable without the support and commitment of our large pool of dedicated and talented employees. Without a doubt, we owe a debt of gratitude to our key client, MOH, along with our other customers, suppliers and partners, as well as bankers who have all had a hand in Pharmaniaga's success over the last year.

As we operate in a highly regulated sector, we would like to thank the relevant Government bodies in Malaysia for assisting in the smooth running of our operations during the year under review.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
Chairman

18 February 2013

MANAGING DIRECTOR'S REVIEW

Dear Shareholder,

What an eventful year it has been. In my second year leading this dynamic Group forward, it has indeed been a rewarding experience particularly to have worked alongside an amazing team of professionals within the Pharmaniaga Group. Above all, we are humbled by the confidence and encouragement given by our key client, Ministry of Health (MOH), and the new ground we have gained in our commercial businesses. This has provided us with a solid foundation to build on for the future.

DATO' FARSHILA EMRAN
Managing Director

FINANCIAL PERFORMANCE

We delivered record earnings during the year as revenue grew to RM1.8 billion compared with RM1.5 billion last year. On the back of this turnover, profit before tax grew from RM73 million to RM103 million this year, marking a 41% jump. We are mindful that shareholders require us to always improve on our business prospects and deliver on our bottom line.

We have certainly strengthened shareholder value as a net dividend of 35 sen per share will be paid out for the financial year. This represents an increase over last year's dividend of 27.8 sen. For your convenience, we have outlined below our Key Performance Indicators (KPIs) which we have also delivered on handsomely, compared with the previous year.

KPI	2012	2011
Return on Equity	13.1%	11.7%
Return on Asset	10.0%	8.0%
Net Dividend per share	35 sen	27.8 sen

Our two key business segments have performed well with the Logistics & Distribution Division leading the way as it delivered a profit of RM61 million compared with last year's RM59 million. The most important contributing factor was the growth in the concession business which contributed 59% representing RM1.1 billion (2011: RM904 million) to the Group's revenue. Our Malaysian operations have undertaken a host of improvements to demonstrate to our key client our commitment to them. This resulted in improved customer service levels. In tandem, noteworthy efforts were undertaken to ensure the order fulfilment process was seamless and efficient for MOH.

With the consumer healthcare business increasing both domestically as well as internationally in various segments other than prescription generics, we have achieved important strides during the year in strengthening the viability of our business. We maintain that the Concession Agreement (CA) with the Government plays a pivotal role in strengthening our bottom line. The Commercial arm provides a complementary and growing stream of business that drives the prospects of the Group in the private sector.

Emerging relatively unscathed from a year plagued by global market uncertainties, the domestic market growth for pharmaceuticals and over-the-counter drugs has grown considerably. We have built on these opportunities by introducing new products to our generic prescription portfolio while growing market share for our proprietary brands such as CITREX.

Our winning partnership as an exclusive distributor for Baraka from the Middle East provides us with major leverage in the commercial business. With the progress made during the year, our non-concession Government business made a substantial 14% contribution to our revenue with RM249 million compared with

RM222 million for 2011. The Group is aware that regional and domestic growth is paramount to the eventual expansion of our global presence. Our listed entity in Indonesia, PT Millennium Pharmacon International Tbk delivered an improved revenue contribution of 21% to our Group with RM389 million for the year compared with RM337 million for 2011.

Our Manufacturing Division on the other hand recorded a profit of RM43 million (2011: RM14 million). Our five plants have undertaken notable initiatives to improve manufacturing processes and efficiencies. This is borne from our mandate to constantly seek new opportunities to maximise shareholder value while keeping an eye on operational cost. In addition to the productivity improvements made at our plants, the most important factor that contributed to the jump in profitability was the inaugural contribution from Idaman Pharma Manufacturing Sdn. Bhd. (IPMSB). Our strategy of acquiring IPMSB was indeed the right business decision at the right time as reflected in the financial results generated in 2012.

As a result, we now have to our advantage, excess manufacturing capacity which will be utilised for more than 200 additional products that are currently in the pipeline until 2020. This has allowed us to reduce outsourced manufacturing. What is most evident in the efforts undertaken is that we have paved the way for viable business opportunities by creating a band of excess capacity which will be utilised when our new products come on stream.

MANAGING DIRECTOR'S REVIEW

OUTLOOK

The increased purchasing power of an expanding middle class in Malaysia will drive Pharmaniaga's business further, both from our key client perspective as well as growth for the private market segment.

As evidenced by our tangible efforts to add value to the CA which resulted in our improved earnings during the financial year, we have on our drawing board several key initiatives which are presently being reviewed collectively with MOH. We hope to be able to execute a number of these initiatives in the coming year. This will strengthen our earnings potential and place us on an even stronger financial footing.

One such initiative which is far in developmental stage is the implementation of the pharmacy information system. This will cover the full spectrum of the pharmacy domain at hospitals and clinics. Its successful implementation is crucial in improving the delivery and service at these facilities to the end users. Of paramount importance, once implemented, is the fact that this system will reduce medication error and greatly improve healthcare delivery to citizens.

In Indonesia, with its population exceeding 240 million, our potential is vast. With improvements undertaken during the year, we intend to build on them and vigilantly expand our business focus in the largest nation in South East Asia. We are currently evaluating the prospect of acquiring manufacturing facilities in Indonesia which will lead to a boost in earnings for us.

For the Manufacturing Division, the constantly shifting regulatory environment poses a challenge familiar to all pharmaceutical manufacturers. The importance of identifying potential obstacles early cannot be underestimated. In order to ensure compliance, we are conscious of our role to be constantly mindful of global regulatory requirements.

On this vein, we have completed the pre European Union (EU) audit exercise during the financial year and in 2013, we expect the final audit inspection to be concluded. This will give us a foothold in the lucrative European market as we will be able to accept contract manufacturing projects of sterile injectables from EU multinational companies.

With the consolidation of Pharmaniaga and IPMSB, the Group has 485 registered products. On the international front, 185 products have been registered across South East Asia, East Asia and even as far as Africa.

These measures undertaken are a clear demonstration of our plans for the future and our positive outlook on improving our earnings potential. We hope you will find the following divisional reviews informative. We assure you of our ongoing quest to improve operational efficiencies, strengthen ties with our business partners, enhance sustainability and broaden our community outreach with a view of delivering shareholder value while unlocking the abundant prospects within the healthcare sector domestically, regionally and internationally.

DATO' FARSHILA EMRAN
Managing Director

18 February 2013

The Logistics & Distribution Division led the way as it delivered a profit of RM61 million compared with last year's RM59 million. The most important contributing factor was the growth in the concession business which contributed 59% representing RM1.1 billion to the Group's revenue

logistics & distribution

logistics & distribution

This Division facilitates the smooth dissemination of our pharmaceutical products to our distribution centres and finally to our most valuable stakeholders, our customers. These centres in Selangor, Penang, Sarawak and Sabah supply all the states in Malaysia while warehouses in Jakarta, Bandung and Surabaya supply our 29 branches in Indonesia. The operations in both of these nations are instrumental in ensuring a seamless and pleasant experience for our wide clientele base.

MALAYSIA

The concession business blazed a trail for the Division, delivering strong results. Enhancements to our order fulfilment processes, an upgraded inventory management system along with a reduction in back orders were some of the many accomplishments for the year. This led to a notable reduction in customer complaints to a mere 0.5% out of 114,000 orders received.

OPERATIONS REVIEW

The satisfaction of our customers, in particular, MOH, is paramount in our promise to deliver excellence. The year in review saw the Group adopt a progressively dedicated approach towards this goal. We kicked things off by assigning one call centre agent to each state in Malaysia as a value-added service for our customers from the public sector. With this move, we hope to better meet the unique needs of each state. Throughout the year, our state call centre agents were actively involved in dialogue sessions with MOH representatives in order to strengthen rapport, identify issues and deliver a higher quality of service. Our downtime was reduced significantly and our customer service agents were able to respond better to the needs of our client.

We have carried out a customer satisfaction survey on the performance of our Malaysian operations between the months of March and September 2012. Clearly, there has been a marked improvement in our service levels as most respondents rated our performance positively.

"...a marked improvement in our service levels as most respondents rated our performance positively."

The consumer healthcare business has strengthened both domestically as well as internationally in various segments other than prescription generics. On the domestic front, we have improved our prospects for our proprietary brand CITREX along with Baraka, the latter we distribute exclusively for our Middle Eastern clients.

We introduced the "Wound Care Unit" and the rapid dengue test kit "MyDenkit" to our generic prescriptions portfolio. This effort had an impact on our revenue generation and contributed much to the generic prescription segment's positive growth. To reinforce this fact, we also made progress into the area of oncology treatment with irinotecan, along with the re-introduction of our penicillin range and the launch of Zithrolide and Plecaz MR.

INDONESIA

The year in review saw a marked increase in operational efficiency and enhanced customer satisfaction as a result of the staggered implementation of Quality Management System ISO 9001:2008 in Indonesia. The certification focused on warehousing and logistics and has been implemented at our Indonesian headquarters as well as five branches, with the rest of our operations soon to follow. All 29 branches of our Indonesian operations have also upgraded their chilled storage to comply with local regulations.

Several of our branches have been shifted to new premises with greater warehouse capacity in order to provide more storage space and to create a conducive working environment. Likewise, in order to comply with the Indonesian Government's 'Cara Distribusi Obat Yang Baik' specification, we have undertaken the necessary upgrades at all our branches. Additionally, to ensure compliance and integrity, all branches were subjected to a biannual internal audit and standard operating procedures have also been revised and updated to minimise non-compliance.

In our ongoing quest towards improvement, various other initiatives have been undertaken in order for us to better serve our Indonesian customers and one of this was competency training for our talent force in order to boost individual performance.

INFORMATION TECHNOLOGY

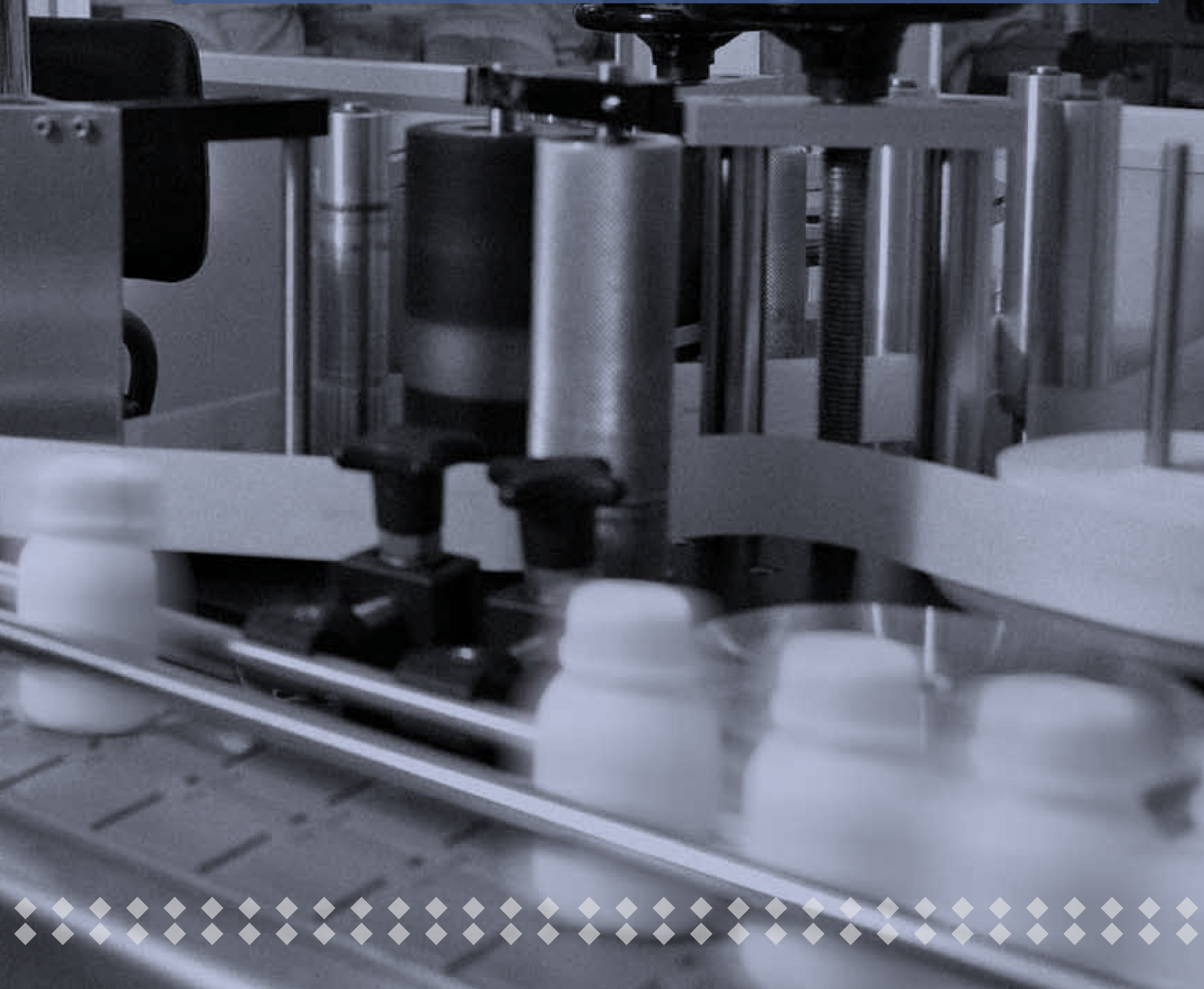
In order to enhance our services and to support better business decision-making, we have a fully integrated supply chain management and business intelligence system. This enables us to plan stock management efficiency, monitor real time orders, to ensure timely product deliveries.

Our inventory system which is deployed at all Government hospitals and clinics allows our client to monitor stock levels giving them the convenience of placing orders online.

"... the implementation of the pharmacy information system will reduce medication error and greatly improve healthcare delivery to citizens."

The Manufacturing Division recorded a profit of RM43 million. Our five plants have undertaken notable initiatives to improve manufacturing processes and efficiencies, borne from our mandate to constantly seek new opportunities to maximise shareholder value while keeping an eye on operational cost

manufacturing



manufacturing

The Manufacturing Division is the point of origin for our superior pharmaceutical products. It falls upon this Division to uphold the standards of production that is expected of us. The adherence to quality control, security of supply and compliance with established environment, safety and health standards were met and surpassed by the Division as required by local authorities and regulators as well as our own commitment to excellence.

OUR PLANTS

We have made steady progress to establish ourselves as a leading manufacturer in the pharmaceutical sector. Several initiatives were successfully completed during the year which included the installation of automatic and integrated blistering and cartoning machinery. The implementation of this effort resulted in an increase in total installed output of oral solid dosage (OSD) which led to the successful cessation of most outsourced OSD manufacturing.

Another initiative was the total refurbishment of the sterile injectable Cephalosporin antibiotic manufacturing line at our Bangi plant which was completed in the second quarter of the year. The plant is now fully operational

and we have successfully commenced operations thus ceasing the outsourcing of the manufacturing of sterile Cephalosporin products.

In the Seri Iskandar plant, commercial production of sterile injectable penicillin is targeted for 2014. At the same time, the small volume injectable, fill-and-finish parenteral facility at our Puchong plant will be close to obtaining European Union (EU) certification.

We undertook streamlining initiatives which included the elimination of redundant product lines over the past year. As contract manufacturing is an important segment for this Division, particularly given our track record with established multinational companies, it enabled us to broaden our horizon to successfully ink new agreements with other leading pharmaceutical companies.

Ever mindful of the quality, safety and efficacy of our products, we worked with the National Pharmaceutical Control Bureau (NPCB) to ensure that bioequivalent studies are performed for all immediate release OSD drugs. We currently have 42 products which have achieved bioequivalent status. Apart from this, 16 products are pending evaluation by the NPCB and 12 are in the process of an on-going bioequivalent study.

OPERATIONS REVIEW

"The conclusion of the final European Union (EU) audit exercise will give us a foothold in the lucrative European market as we will be able to accept contract manufacturing projects of sterile injectables from EU multinational companies."

RESEARCH & DEVELOPMENT

Our constant drive towards technological innovation is what sets us apart in the ever competitive pharmaceutical industry. In 2012, our focus resulted in the registration of 13 new products which have been successfully introduced into the local market. In the pipeline are numerous products that are at various stages of completion with a view for registration. These products range from galenical to solid and injectables. In strengthening our laboratory, the analytical lab facility has been certified ISO 17025, accredited by the Department of Standards Malaysia, Ministry of Science, Technology and Innovation.

In-line with the National Key Economic Area Entry Point Projects, collaborative research between the clinical affairs team and the Government has been ongoing. Developing and commercialising local herbs, namely Kacip Fatimah and Patawali will be a welcome boon to ecological sustainability and advance herbal biotechnology in the nation.

We have a unique distinction of being one of Malaysia's few homegrown listed pharmaceutical entities. As we have made significant strides during the year to strengthen our business, we have also focused our energies on maintaining our track record as a good corporate citizen.

corporate responsibility

CORPORATE RESPONSIBILITY

With our aim to improve the quality of life of all Malaysians, spreading awareness on the importance of healthcare among communities remained the anchor of our corporate responsibility efforts. Additionally, we upheld our commitment to care for and develop our employees in a manner that builds skills-set and professionalism while enhancing personal development. In our pursuit of sustainable growth, protecting the environment with best practices and supporting educational needs also formed another thrust of our initiatives during the year.

HUMAN CAPITAL

A key measure of a company's success is its people. At Pharmaniaga, we strive for excellence with a motivated workforce that benefits from regular training and development programmes, a dynamic environment, and a corporate culture based on responsibility and merit. By consistently nurturing employees with dedicated programmes, we enhance their value and at the same time, grow the Group in a sustainable way.

Several personal development and skills training programmes were implemented during the year. Amongst the many, the 'Lead-the-Ship, Building a Performing Team' programme was organised to help employees develop leadership qualities and attitudes that would enable them to perform their duties more efficiently.

Another programme themed 'Communication for Success' saw employees being taught how they could improve their communication skills to facilitate better communications at the workplace. In line with the Group's plans to expand our reach in regional and international markets, we introduced a Business English Communication programme to equip executive and non-executive employees with the tools to improve their language proficiency. Key members of staff also participated in seminars and conferences at local and international levels to gain insights on management practices and keep abreast of developments in the pharmaceutical sector.

Nurturing the abilities of our vendors is integral to their continued progress and that of Pharmaniaga. To demonstrate our commitment to improving vendor capacity and capability, we established a Vendor Development Programme (VDP). The Group's first VDP activity was hosting a briefing on the new Medical Device Act by the Medical Device Authority for Adoption Scheme companies. A good number of vendors received first-hand information on the Act and its impact, and the opportunity to address any concerns. Given the role played by vendors in the country's on-going economic development, the Group will continue to support the development of related small and medium enterprises to enable them to compete more effectively in Malaysia's healthcare industry.

We continued to focus on achieving a balance between driving professional development and managing the social welfare of our human capital. In our effort to foster a workplace that provides a conducive environment based on strong employee relations, we organised several social activities including our first ever Secretaries' Week in April 2012 to recognise the commendable efforts of secretaries. Secretaries of the Group were treated to motivational and grooming talks and a luncheon.

Our annual Hari Raya celebration at Bukit Raja saw the gathering of more than 2,000 employees and their families, marking another successful festive occasion that enhanced relationships at the workplace. With hundreds of football enthusiasts in the Group avidly following the UEFA EURO Championships in 2012, we also took the opportunity to organise the Pharmaniaga Amazing EURO Hunt. We are heartened by the overwhelming turnout by our employees who participated in this one-day football themed hunt.

In addition, the year saw us sustaining our efforts to attract prospective talents to Pharmaniaga. We were able to recruit quality talents with diverse capabilities and proficiencies from several universities to fill key positions in our dynamic workplace, thus ensuring the continuous development of our talent pool.

Testament to our strong employer value proposition, we were named the winner of Malaysia's 100 Leading Graduate Employers for the pharmaceutical sector by the Malaysian Graduate Barometer.

COMMUNITY & ENVIRONMENT

As a conscientious corporate citizen with a strong sense of social service, the Group recognises the need to make a positive difference in the lives of the needy and less fortunate, with our central focus being to enhance healthcare standards. In view of this, we have several initiatives in place and established channels for active engagement that allows us to provide support and information to communities, special interest groups and stakeholders.

Since its inception in 2007, Pharmaniaga's Skuad Operasi Sihat (SOS) has been the primary vehicle for our community outreach programme. With a dedicated group of volunteers comprising employees and medical practitioners promoting wellness and healthy living to communities nationwide, SOS is also equipped to provide assistance in cases of emergency.

In 2012, SOS provided a range of services once again in collaboration with the MOH, Mercy Malaysia as well as selected universities, hospitals and clinics around the country. 28 missions were successfully carried out in Peninsular and East Malaysia, benefitting close to 10,000 Malaysians. Mission activities included health awareness campaigns, free medical check-ups and medical assistance for rural communities in Sabah, Sarawak, Perlis, Kedah, Penang, Negeri Sembilan as well as Kuala Lumpur and Selangor.

While much of the focus of our community outreach nationwide is on general health screening and providing medical assistance, the programme in 2012 covered specific areas like the needs of mothers, and increasing public awareness about medicines and vitamins.

CORPORATE RESPONSIBILITY

SOS also conducted blood donation drives, walkathons and runs, and distributed vitamins to underprivileged children. Although most initiatives served to raise awareness levels and improve standards of healthcare, SOS also provided much-needed aid to a group in Sabah when their long house was damaged by fire. Medical supplies and financial aid brought relief to the 24 families affected by the fire.

The Group's on-going collaboration with MOH saw it supporting several campaigns spearheaded by the Ministry. Among the bigger activities we participated in was the launch of the 'Jelajah Sihat Bersama Komuniti' national campaign held in Bentong, Pahang. More than 1,000 community members attended the activity which also provided free medical screening and assistance. Other activities included the 'Kenali Ubat Anda' programme in Kota Bharu and 'Sihat Bersama Komuniti' campaign in Penang.

Besides upholding our commitment to enhancing healthcare, we ensured our caring corporate culture provided social activities for underprivileged children. In keeping with our annual practice of visiting orphanages, this year, we hosted a 'Buka Puasa' treat for orphans from Teratak Nur Barakah.

In addition to encouraging volunteerism among employees, Pharmaniaga in 2012 supported the needs of other segments of society with cash and contributions in-kind via non-governmental organisations, welfare organisations and selected charitable causes. Our contributions are not confined only to local causes, we are also concerned with issues that affect global communities. As such, we donated medical supplies valued at over RM400,000 during the year to the Perdana Global Peace Foundation, a humanitarian effort in aid of victims in the Gaza Strip.

As a company that believes in sustainable and responsible growth, we apply best practices in every aspect of our operations. This supports our aim to ensure the health, safety and welfare of our employees at the workplace, and the quality of the products we manufacture. With this in mind, our environmental policies and measures are intended to strike a balance between maintaining profitability and decreasing harmful environmental impact.

EDUCATION

In our quest to become a high-income and developed nation by 2020, we must embrace education. The Government is conscious of the importance of education and in fact has been promoting education as the nation's main agenda since Independence. This has been further cemented by the launch of the Malaysia Education Blueprint 2013 – 2025 Preliminary Report.

While it is a tool that empowers those who have it, education is not readily available to every strata of society. In support of the Government's endeavours and in an effort to unleash the potential of our youths, Pharmaniaga continued to provide opportunities for underprivileged youths while recognising the academic excellence of university undergraduates.

Through our education drive, we organised tutorial sessions to assist employees' children preparing for the UPSR/PMR/SPM examinations in 2012. Conducted at the Puchong Plant, the session not only benefitted the young students who participated, it also helped employees to manage financial constraints.

Pharmaniaga also held the Excellence Academic Achievement Award 2012 to reward employees' children who had achieved exemplary exam results in 2011. By enriching the lives of youth with such initiatives, this enabled Pharmaniaga to actively contribute towards meeting the various educational needs of the nation.

In a bid to inculcate the habit of reading among primary and secondary students in rural communities lacking access to educational tools, Pharmaniaga also donated reading materials to Sekolah Kebangsaan Chuping in Mata Ayer, Perlis. About 300 students now have access to books that are more easily available in schools in urban communities.

To show our support of higher education facilities, the Group also awarded book prizes for excellence in academia to undergraduates from Universiti Teknologi MARA.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors of Pharmaniaga is committed to the Malaysian Code on Corporate Governance 2012 (the Code) and the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and strives to adopt the substance behind the corporate governance prescriptions and not merely in form, but also in managing its business affairs.

With its collective and overall responsibility in leading and directing Pharmaniaga's strategic affairs, the Board has the ultimate responsibility for corporate governance and plays a key role in charting the vision, strategic direction, development and control of Pharmaniaga Group as well as overseeing the investments of the Company. The Board believes that effective corporate governance is premised on three important cornerstones namely, independence, accountability and transparency.

The Board is pleased to report to the shareholders on the manner Pharmaniaga has applied all the eight (8) principles of the Code and the extent to which it has complied with the recommendations of the Code.

BOARD OF DIRECTORS

The Board assumed the following six responsibilities, which facilitate the discharge of its stewardship responsibilities:

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing Senior Management;
- Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

In this regard, the Board is guided by the documented and approved Board Charter and Limits of Authority (LOA) which define matters are specifically reserved for the Board and the delegated day-to-day management of the Company to the Managing Director. This formal structure of delegation is further cascaded by the Managing Director to the Senior Management team within the Company. However, the Managing Director and Senior Management team remain accountable to the Board for the authority that is delegated.

In performing their duties, all Directors have access to the advice and services of the Company Secretary and if necessary, may seek independent professional advice about the affairs of the Company. The Company Secretary attends all Board meetings and advises the Board on procedures, the requirement of the Company's Memorandum and Articles of Association, the Company's Act and the MMLR of Bursa Malaysia. The Company Secretary also ensures that there is good information flow within the Board and between the Board, Board Committees and Senior Management. The Board is provided with Board papers in advance before each Board meeting and has a formal schedule of matters reserved to itself for decision, including the overall Company strategy and direction, acquisition and divestment policy, approval of major capital expenditure projects and significant financial matters.

The Board has approved a Board Charter which sets out a list of specific functions that are reserved for the Board. The Board Charter addresses, among others, the following matters:-

- Duties and Responsibilities of the Board;
- Directors' Code of Ethics;
- Composition and Board Balance;
- The role of Chairman and Managing Director;
- Appointments;
- Re-election;
- Supply of information;
- Separation of Power;
- Board Committees;
- Remuneration;
- Financial Reporting;
- General meetings;
- Investor relations and shareholder communication;
- Relationship with other stakeholders (employees, environment, social responsibility)

The approval and adoption of the Board Charter and Directors' Code of Ethics formalises the standard of ethical values and behaviour that is expected of its Directors at all times. The Board Charter and Directors' Code of Ethics are reviewed periodically to ensure their relevance and compliance.

The Company is also committed to sustainable development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Company conducts its business. Report on the activities pertaining to corporate responsibilities is set out in pages 38 to 43 of this Annual Report.

Composition of the Board

The Board of Pharmaniaga comprises six Directors. Five Directors are Non-Executive Directors with one Executive Director, who is also the Managing Director. Three of the Directors are Independent Directors. The presence of Independent Directors assures an element of balance to the Board as they provide unbiased and independent views, advice and judgment to all Board deliberations. This composition is in compliance with Paragraph 15.02 of the MMLR of Bursa Malaysia.

STATEMENT ON CORPORATE GOVERNANCE

The Board is cognisant of the required mix of skills, knowledge and business experience given the size and nature of the business of Pharmaniaga. The skill and experience of the members of the Board encompass a diverse professional background of pharmaceutical industry, finance and accountancy, and legal and business administration. The profile of each Director is set out on pages 12 to 15 of this Annual Report.

Process of Appointment to the Board

Pharmaniaga has established formal and transparent procedures for the appointment of new Directors. The Nomination Committee scrutinises the sourcing and nomination of suitable candidates for appointment as Director in Pharmaniaga and its subsidiary companies. This Committee will ensure the selection of the Board members with the right skills set, expertise and industry knowledge thus strengthening the composition of the Board and contributing significantly to the effectiveness of the Board.

Roles and Responsibilities

The roles and responsibilities of the Chairman of the Board and the Managing Director are distinct and separated. The Chairman is responsible to ensure the Board's discussions are conducted in such a way that all views are taken into account before decision is made. The Managing Director has the general responsibility for running the business on a day-to-day basis, thus ensuring a balance of power and authority so as to provide safeguard against the exercise of unfettered powers in decision making.

The Board's principal focus is the overall strategic direction, development and control of Pharmaniaga Group. As such, the Board approves Pharmaniaga Group's strategic plan and its annual budget and throughout the year, reviews the performance of the operating subsidiaries against their budgets and targets. The Managing Director is responsible for the implementation of the broad policies approved by the Board and is obliged to report and discuss at the Board Meetings all material matters currently or potentially affecting Pharmaniaga Group and its performance, including all strategic projects and regulatory development.

Accountability is part and parcel of governance in Pharmaniaga, whilst the Board is accountable to the shareholders, Management is accountable to the Board. The Board ensures that the Management acts in the best interests of the Company and its shareholders by working to enhance the Company's performance.

Board Meetings

Board meetings are scheduled in advance and during the financial year ended 31 December 2012, there were four (4) Board meetings held. The details of the respective Director's attendance at the Board meetings held during the year under review are as follows:

Directors	Status of Directorship	Meetings Attendance
Tan Sri Dato' Seri Lodin Wok Kamaruddin	Non-Independent Non-Executive Chairman	4/4
Dato' Farshila Emran	Managing Director	4/4
Mohd Suffian Haji Haron	Senior Independent Non-Executive Director	4/4
Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)	Independent Non-Executive Director	4/4
Daniel Ebinesan	Non-Independent Non-Executive Director	4/4
Izzat Othman	Independent Non-Executive Director	4/4

To assist the Board in retaining full and effective control of the Company, the Board deliberates on a formal agenda and schedules matters arising for approval or notation during these Board meetings.

During the financial year ended 31 December 2012, the Board reviewed and/or approved and considered, amongst other matters, the following:

- Pharmaniaga Group's Strategic and Business Plans
- Financial results and performance of Pharmaniaga Group
- Quarterly Financial Reports
- Directors' Report and the Audited Financial Statements
- Annual Report Disclosures for inclusion in the Annual Report
- Budgets, Bonus and Dividends
- Risk Assessment and Review Reports

The Agenda for each Board meeting, together with detailed Board papers and supporting documents, are circulated to all Board members for their prior review in advance of the meeting dates, to ensure that they are fully apprised on matters or key issues affecting the Company as well as to enable the Directors to make well-informed decisions on matters arising at the Board meetings. Agenda items for which resolution is sought are identified and clearly stipulated in the Board paper to ensure that matters are discussed in structured manner. It has always been the Company's practice that a standardised format of Board paper is circulated for ease of reference during meetings.

The Chairman of the Board chairs the Board meetings while the Managing Director leads the presentation and provides explanation on the Board papers and reports. Senior Management staff may be invited to attend the Board meeting and brief the Board with detailed explanations or clarification on relevant agenda items that are tabled to the Board to enable the Board to arrive at a considered decision.

STATEMENT ON CORPORATE GOVERNANCE

The Board records decisions made as well as all issues discussed in arriving at the decisions in the minutes of meeting. Minutes of every Board meeting are circulated to the Chairman and the Managing Director for their perusal prior to confirmation of the minutes at the following Board meeting, in accordance with the provision of Section 156 of the Companies Act, 1965.

Operation of the Board

The Board has established Board Committees to support its functions and responsibilities. The Board has entrusted specific responsibilities to Board Committees, which operate within clearly defined written terms of references. The Committees deliberate the issues on a broad and in depth basis before putting up any recommendation to the Board.

Board Independence

Independence and Non-Executive Directors play a leading role in the Board Committees. The Management and third parties are co-opted to the Committees as and when required.

The roles of the Non-Executive Directors are wide and varied. They provide considerable depth of knowledge collectively gained from their experience in other organisations. The Independent Directors provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated on and take into account the interest of minority shareholders, employees, customers and relevant stakeholders.

Tan Sri Dato' Seri Lodin Wok Kamaruddin, who is the Deputy Chairman / Group Managing Director of Boustead Holdings Berhad, has been an effective Non-Independent Non-Executive Chairman of Pharmaniaga Berhad (representing Boustead Holdings Berhad). He was appointed onto the Board on 29 April 2011. He exercises independent and broad judgment as well as provides independent opinions and constructive views on proposals from the Management.

The Recommendation 3.5 of the Code recommends that should the Chairman of the Board is not an Independent Director, the Board must comprise a majority of Independent Directors. The Company's Chairman is not an Independent Director and there are three (3) Independent Directors out of six (6) Board members. The Board believes that the interests of shareholders are best served by a Chairman who is sanctioned by the shareholders and who will act in the best interests of shareholders as a whole. As the Chairman is representing the shareholder who has substantial interest in the Company, he is well placed to act on behalf of shareholders and in their best interests. As the Code has only been recently issued during the financial year, the Board will continuously evaluate suitable candidates for Independent Directors to form majority of the Board. However, the process should be executed with due care and careful assessment to ensure a meaningful contribution to the effectiveness of the Board as a whole.

Board Committees

(a) Audit Committee

The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report in this Annual Report.

(b) Nomination Committee

The Board has established Nomination Committee comprising exclusively three (3) Non-Executive Directors, being the majority are Independent Directors. The Committee, which is chaired by an Independent Director, has convened one (1) meeting in 2012. The members attendance record was as follows:

Members	**Meeting Attendance**
Mohd Suffian Haji Haron (Chairman)	1/1
Tan Sri Dato' Seri Lodin Wok Kamaruddin	1/1
Izzat Othman	1/1

The salient terms of reference of the Nomination Committee are as follows:

Nomination Committee

- To annually examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness.
- To assist the Board in the annual review of the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board and disclose the same in the Annual Report.
- To annually carry out the process to be implemented for evaluating the effectiveness of the Board as a whole, the Committees of the Board and the performance and contribution of each individual Director based on the process implemented by the Board and to identify areas for improvement.
- To recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.
- To ensure that the appointment of any Executive Director or Managing Director shall be for a fixed term not exceeding 3 years at any one time with the power to reappoint, remove or dismiss thereafter.

STATEMENT ON CORPORATE GOVERNANCE

- To identify and recommend new nominees to the Board of Pharmaniaga Berhad and its subsidiaries and associated companies, whether to be filled by Board members, shareholders or executives. It is also to identify and recommend for all directorships proposed by the Managing Director, any Director or shareholder to fill the seats on the Audit, Nomination and Remuneration or other Committees.
- To identify and recommend Senior Management positions i.e. Chief Operating Officer and Chief Financial Officer and its terms and conditions, for the Board's approval.
- To consider the following when recommending candidates for directorship :
  - skills, knowledge, expertise and experience;
  - professionalism;
  - integrity; and
  - ability to discharge functions/responsibilities.

(c) Remuneration Committee

The Remuneration Committee comprises of exclusively three (3) Non-Executive Directors being the majority are Independent Directors. The Committee, which is chaired by an Independent Director, has convened three (3) meetings in 2012. The members attendance record was as follows:

Members	Meeting Attendance
Mohd Suffian Haji Haron (Chairman)	3/3
Tan Sri Dato' Seri Lodin Wok Kamaruddin	3/3
Izzat Othman	3/3

The salient terms of reference of the Remuneration Committee are as follows:

Remuneration Committee

- Set, review, recommend and advise the policy framework on all elements of the remuneration such as reward structure, fringe benefits and other terms of employment of the Executive Director or the Managing Director.
- Advise the Board on the performance of the Managing Director and an assessment of her entitlement to performance related pay. The Committee also should advise the Managing Director on the remuneration and terms and conditions of Heads of Division.

Supply of and Access to Information

In furtherance of their duties, every member of the Board has full, unrestricted and timely access to all information pertaining to the Company's business affairs, whether as a full Board or in their individual capacity, as the decision making process is highly contingent on the strength of information furnished.

The Company Secretary attends all Board meetings and is responsible for ensuring the Board procedures as well as statutory and regulatory requirements relating to the duties and responsibilities of the Directors are complied with. In addition, the Directors are also empowered to seek independent external professional advice at the expense of the Company, should they consider it necessary in their course of duties.

Board Appointments and Commitments

The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation by the Nomination Committee. New Directors are expected to have such expertise so as to qualify them to make positive contribution to the Board, performance of its duties and to give sufficient commitment, time and attention to the affairs of the Company.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed. The Company has adopted an induction program for newly appointed Directors. The induction program aims at communicating to the newly appointed Directors, the Company's vision and mission, its philosophy and nature of business, current issues within the Company, the corporate strategy and the expectations of the Company concerning input from the Managing Director. The Chairman is primarily responsible for the induction programme with appropriate assistance from the Managing Director.

Re-appointment and Re-election of Directors

The Articles of Association of Pharmaniaga Berhad provide that all Directors are required to go forward for re-election by shareholders at the Annual General Meeting (AGM) at intervals of no more than 3 years, together with all new Directors appointed since the previous AGM. The Articles of Association also state that one-third of the Directors retire from office at each AGM and are eligible to offer themselves for re-election.

Retiring Directors may offer themselves for re-election or re-appointment to hold office until the next AGM. Each of these Directors who are due to go forward for re-election or re-appointment at this year's AGM has been identified in the Notice of AGM. Particulars of Directors submitted to shareholders for re-election are enumerated in the Statement Accompanying Notice of AGM.

Directors' Training

The Board believes that continuous training for Directors is essential for Board members to gain insight into the pharmaceutical industry, state of economy, technology advances, regulatory updates and management strategies to enhance the Board's skills and knowledge to enable them to discharge their duties effectively. As such, the Directors are continuously encouraged to attend various training programmes and seminars to ensure that they are kept abreast on various issues pertaining to the constantly changing environment within which the business of the Group operates, particularly in areas of corporate governance and regulatory compliance.

STATEMENT ON CORPORATE GOVERNANCE

During the year under review, the Directors have attended, among others, the following training programmes:

	Course Title	Date
•	Job Evaluation Exercise	7 March 2012
•	Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies	13 March 2012 and 14 March 2012
•	Half Day Talk by PricewaterhouseCoopers on: (a) Basel III (b) PWC Banking Banana Skin Survey (c) Accounting and Other Regulatory Updates, and (d) Future Trend in Banking	2 May 2012
•	The Board's Role in Governance and Audit Committee Oversight Responsibilities – Passion Beyond Numbers	11 May 2012
•	FIDE Forum	12 June 2012
•	Boustead Group's Core Values Initiative (Awareness Training Programme)	15 June 2012
•	Conference on "Politics Decoded – Implications on Financial Markets"	28 June 2012
•	The Malaysian Code on Corporate Governance 2012 – "The Implication and Challenges to Public Listed Companies"	3 July 2012
•	Advocacy Session on Disclosure for Chief Executive Officers and Chief Financial Officers	19 July 2012
•	FIDE Forum : Breakfast Talk on "Human Capital Management In the Boardroom"	14 August 2012
•	Half Day Forum on Islamic Banking	5 September 2012
•	Commercial Arbitration for Corporate Malaysia	26 September 2012 and 27 September 2012
•	In House Directors' Programme "Rebuilding Trust in the Financial Sector"	8 October 2012
•	National Procurement & Integrity Forum For Malaysian Government Contractors and GLC Vendors 2012	10 October 2012
•	Women Directors Programme: Women Directors Onboarding Training Programme	30 October 2012 to 1 November 2012
•	Women Directors Programme: Boardroom Essential Soft Skills	19 November 2012, 20 November 2012 and 22 November 2012
•	Women Directors Programme: Board Preparedness Workshop	6 December 2012

Directors' Remuneration

The Remuneration Committee recommends to the Board the framework and the remuneration package for the Executive Director and Senior Management. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole.

The Non-Executive Directors' remuneration comprises annual fees that reflect their expected roles and responsibilities. In addition, Non-Executive members of the Board and Board Committees are paid meeting allowance for each meeting they attended. The Directors' fees are approved annually by the shareholders of the Company at the AGM.

Further details of Directors' remuneration are set out below and in Note 9 to the Financial Statements on page 126 of this Annual Report.

Remuneration Package

The remuneration package of the Directors is as follows:

a Basic Salary

The basic salary (inclusive of statutory employer contributions to the Employees Provident Fund) for the Managing Director is recommended by the Remuneration Committee, taking into account the performance of the individual and information from independent sources on the rates of salary for a similar position in a selected group of comparable companies.

b Fees

The Board, based on the fixed sum as authorised by the Company's shareholders, determines fees payable to Non-Executive Directors after considering comparable industry rates and the level of responsibilities undertaken by Non-Executive Directors.

c Bonus Scheme

The Company operates a bonus scheme for all employees, including the Managing Director. The criteria for the scheme is dependent primarily on the level of profit achieved from the Company's business activities as measured against the targets and that of previous year, together with an assessment of each individual's performance during the period. Bonus payable to the Managing Director is reviewed by the Remuneration Committee and approved by the Board.

d Benefits-in-kind and other Perquisites

The Managing Director is entitled to the provision of leave passage, car allowance, driver, medical (inclusive her immediate family members) and dental coverage. Other Independent Directors of the Company are entitled to medical and dental coverage.

STATEMENT ON CORPORATE GOVERNANCE

e Retirement Plan

Contributions are made to the Employees Provident Fund, the national mandatory defined contribution plan in respect of the Managing Director.

f Service Contract

The Managing Director shall sign a service contract for a period of 3 years with the Company. As a Director to the Board, the Managing Director shall retire from the Board at least once in 3 years but shall be eligible for re-election.

Disclosure on Directors' Remuneration

The details of the remuneration received by each category of Directors for the financial year ended 31 December 2012 are as follows:

Directors	Basic Salaries, Bonus, EPF & SOCSO (RM)	Fees (RM)	Allowance, Perquisites & other emoluments (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Director	751,500	9,000	60,000	7,200	827,700
Non-Executive Directors	–	351,600	75,500	–	427,100
Total	**751,500**	**360,600**	**135,500**	**7,200**	**1,254,800**

The remuneration paid to Directors of the Company for the financial year ended 31 December 2012, in bands of RM50,000 are tabulated as follows:

Remuneration Band	No. of Directors	
	Executive	Non-Executive
RM50,000 – RM100,000	-	4
RM100,001 – RM150,000	-	1
RM800,001 – RM850,000	1	-

* None of the Directors' remuneration falls within the RM150,001 – RM800,000 band.

SHAREHOLDERS

Pharmaniaga is committed in maintaining a constructive relationship with its shareholders, pursuing its on-going commitment to sustain the highest standards of corporate governance practices throughout the Group with full appreciation of its impact on long term corporate performance and optimal shareholder value. The Company also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders. The Company uses a number of formal channels for effective dissemination of information to the shareholders and stakeholders particularly through the Annual Report, announcement to Bursa Malaysia, media releases, quarterly results announcements, company websites and investors relations.

Investor Relations

In this regard, Pharmaniaga has developed and maintained an Investor Relations Policy to ensure a high level of quality and service is achieved when information is provided to investors and stakeholders.

Annual Report

A key channel of communication used to provide its shareholders and investors with information which include its business, financials and other key activities is the Annual Report of the Company, which contents are continuously enhanced to take into account developments amongst others in corporate governance practices.

Apart from the mandatory requirement to make public announcements via Bursa Malaysia, Pharmaniaga also disseminates information on corporate events and business as well as any significant developments of Pharmaniaga Group.

Further, the timely releases of financial results, in line with MMLR of Bursa Malaysia provide shareholders with an overview of Pharmaniaga Group's performance and operations.

Besides the key channels of communication through the Annual Report, general meetings and announcements to Bursa Malaysia as well as analyst and media briefings, there is also continuous effort to enhance the Company website at www.pharmaniaga.com.

Information that is disseminated to the investment community conforms to Bursa Malaysia disclosure rules and regulations. While the Company endeavours to provide as much information as possible to its shareholders, it must be wary of the legal and regulatory framework governing the release of material and price sensitive information. Therefore, care has been taken to ensure that any information that may be regarded as undisclosed and market sensitive information such as corporate proposals, financial results and other material information about Pharmaniaga Group will not be given to any shareholder or shareholder group without first making an official announcement to Bursa Malaysia for public release.

STATEMENT ON CORPORATE GOVERNANCE

General Meeting

The AGM is the principal avenue for shareholders to communicate and engage in dialogue with the Board and Management of Pharmaniaga. The highlights of the Company's technical and financial performance may be made via visual presentation by the Managing Director at the AGM.

Constructive dialogue between the Board and the shareholders are encouraged whereby at the AGM, shareholders are given the opportunity to raise questions on issues pertaining to the Company's financial and operational performance.

At the AGM, the shareholders can exercise their voting rights and the meeting is convened in strict compliance with the laws and procedures of general meeting. Separate resolutions are proposed for separate motions and the Chairman will declare the outcome of each resolution after proposal and secondment are done by the shareholders. Shareholders are also given the opportunity to put forward their questions on the proposed resolutions and on the Group's operations. The Chairman will provide sufficient time for shareholders questions on matters pertaining to the Company's performance and would respond to the shareholders with regard to their concern and question raised.

ACCOUNTABILITY & AUDIT

Financial Reporting

The Board is committed to provide and present a balanced, insightful and timely assessment of the Group's financial position and prospects by ensuring quality financial reporting to its stakeholders, in particular, shareholders, investors and the regulatory authorities. They are kept abreast of the Group's financial position during the financial year, through the annual financial statements, quarterly financial results announcement and press releases.

Quarterly financial results and annual financial statements are reviewed and deliberated upon by the Audit Committee to ensure the quality of financial reporting and adequacy of such information, prior to submission to the Board for its approval. The Audit Committee also reviews the appropriateness of the Company's accounting policies and the changes to these policies.

The Directors are responsible for the preparation and fair presentation of the financial statements for each financial year in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia. The Statement of Directors' Responsibility in relation to the Financial Statements is presented on the appropriate section of this Annual Report.

Internal Control

The Board acknowledges that its responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets as required by the Code. Pharmaniaga adheres to Bursa Malaysia guidelines for Directors of Public Listed Companies, as guidance for compliance with these requirements.

Information on the Group's Internal Control is presented in the Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the MMLR of Bursa Malaysia is set out on page 59 of this Annual Report.

Relationship with External Auditors

The Board maintains a transparent and professional relationship with the Auditors, through the Audit Committee. The Audit Committee was conferred with the authority to directly liaise with both the External and Internal Auditors. The Board, through the Audit Committee, seeks the External Auditors' professional advice in ensuring compliance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

It is a policy of the Audit Committee that it meets with the External Auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements as well as any other issues without the presence of the Managing Director and the Management. During the year under review, the Audit Committee held five (5) meetings out of which two (2) meetings were held with the presence of representatives of the External Auditors, Messrs. PricewaterhouseCoopers, at which private sessions independent of the Management, were held.

RECOGNISE AND MANAGE RISKS

Sound framework to manage material business risks

The Company has established policies and framework for the oversight and management of material business risks and has adopted a formal Risk Management Policy. As required by the Board, the Management has devised and implemented appropriate risk management system and reports to the Board and Senior Management. Management is charged with monitoring the effectiveness of risk management systems and is required to report to the Board via the Audit Committee. The Board has received, and will continue to receive periodic reports through the Audit Committee, summarising the results of risk management issues and initiatives at the Group.

Internal audit function

The Group has an Internal Audit Function that is independent of the activities and operations. The Group Head of Internal Audit reports directly to the Audit Committee who reviews and approves the Internal Audit department's annual audit plan, financial budget and human resource requirements to ensure that the department is adequately resourced with competent and proficient Internal Auditors.

Further details of the activities of the Internal Audit Function are set out in the Statement on Risk Management and Internal Control of this Annual Report.

OTHER COMPLIANCE INFORMATION

Related Party Transactions

Pharmaniaga has in place a procedure to ensure the Company meets its obligations under the MMLR of Bursa Malaysia relating to related party transactions.

A list of related parties within Pharmaniaga Group is disseminated to the various business units to determine the number and type of related party transactions. All related party transactions are presented to the Audit Committee for their review and monitoring on a quarterly basis. The report and the list of the related parties of Pharmaniaga Group for year under review are then escalated to the Board for their notation.

STATEMENT ON CORPORATE GOVERNANCE

A list of significant related party transactions is set out in Note 36 to the Financial Statements on pages 170 to 173 of this Annual Report.

Non-Audit Fees

During the financial year ended 31 December 2012, the Group paid the following non-audit fees to the External Auditors:

Non-audit Fees	
Group RM'000	**Company RM'000**
272	55

Sanction and/or Penalties

The Company and its subsidiaries, Directors and Management have not been imposed with any sanctions and/or penalties by the relevant regulatory bodies during the financial year ended 31 December 2012.

STATEMENT OF COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA IN RELATION TO APPLICATION OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012

(Pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia)

The Board considers that it has complied with the Principles and Recommendations of the Code, except for the Recommendation 3.5 of the Code as stated in page 48 of this Statement.

This Statement on Corporate Governance has been approved by the Board of Pharmaniaga on 18 February 2013.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board of Directors (the Board) is responsible for the adequacy and effectiveness of the Pharmaniaga Group's (the Group) system of internal controls. However, such a system is designed to manage the Group's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal controls when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board via the Audit Committee and accords with the guidelines for directors on internal control, the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies.

The Board ensures that management undertakes such actions as may be necessary in the implementation of the policies and procedures on risk and control approved by the Board whereby management identifies and assesses the risks faced and then designs, implements and monitors suitable internal controls to mitigate and control these risks.

A formal Management Control Policy (MCP) spells out the internal control responsibilities of the Audit Committee, the Internal Audit function and Operating Management. The MCP has been disseminated to all members of the senior management team to ensure that they are at all times fully aware of their internal control responsibilities. The MCP complements the Terms of Reference of the Audit Committee, the Internal Audit Charter and this Statement on Risk Management and Internal Control.

KEY ELEMENTS OF INTERNAL CONTROL FRAMEWORK

Structural

Audit Committee

The Audit Committee is responsible for monitoring, overseeing and evaluating the duties and responsibilities of the Internal and External Auditors as those duties and responsibilities relate to the organisation's processes for controlling its operations.

The Audit Committee is also responsible for determining that all major issues reported by the Internal Auditors, the External Auditors and other outside advisors have been satisfactorily resolved by the Management. Finally, the Audit Committee is responsible for assisting and reporting to the Board matters deemed critical to the organisation's controlling processes and risk management activities including the implementation of the appropriate systems to manage risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Risk Management Committee (RMC) comprised the management team and is assisted by the Risk Management Work Group Committees (RMWGC) whose role is to identify, mitigate and manage risks within their businesses. The Board, through the Audit Committee maintains risk oversight for the Group.

Group Internal Audit

The Group Internal Auditors from Boustead Holdings Berhad principal responsibility is to evaluate and improve the effectiveness of the risk management, control and governance processes. This is accomplished through a systematic and disciplined approach of regular reviews and appraisals of the management, control and governance processes based on the review plan that is approved by the Audit Committee annually. Group Internal Audit adopts a risk-based methodology in planning and conducting audits by focusing on key risk areas.

The terms of reference for Group Internal Audit are clearly spelt out in the Group Internal Audit Charter approved by the Audit Committee. Group Internal Audit operates and performs in accordance to the principles of the Charter, reports directly to the Audit Committee and is independent of the activities it audits.

RISK MANAGEMENT

The Board views risk management as the logical process in the pursuit of its corporate governance agenda and the realisation of its long term corporate objectives to protect shareholders' investment and safeguard the Group's assets.

Risk management is firmly embedded in the Group's management system and is every employee's responsibility as the Group firmly believes that risk management is critical for the Group's continued profitability and the enhancement of shareholder value.

The Group Risk Management Framework has the following key attributes:

- Risk Governance and Strategy

  The risk governance and strategy are established within the Corporate Risk Management in three levels:

  (i) Day-to-day risk management residing at the business units and divisions.

  (ii) RMC is headed by the Managing Director. The Heads of Division are entrusted to drive the Risk Management of the Group. The RMWGC responsibilities are to:

  - Conduct a quarterly review of the business risks,
  - Co-ordinate the development of risk mitigation action plans,
  - Update the Business Continuity Plan for key business risks,
  - Monitor the results of key performance indicators; and
  - Ensure good corporate governance.

  (iii) The RMC retains the overall risk governance responsibility and risk oversight for the Group and its subsidiaries.

- Risk Reporting

  Risk review is conducted to review the effectiveness of individual components of the Group Risk Management and implement improvements where necessary. These are complemented by internal control practice such as the statement of compliance with the Malaysian Code on Corporate Governance 2012.

  The Group's Risk Management Framework provides for regular review and reporting. The Audit Committee members and RMC meet at least twice a year. At the meeting, the Audit Committee members will review the overall risk profile of the Group's risk, review the significant risks and provide guidance on the action plans to address the identified risks. In the year under review, risk assessment reports were presented to the Board as a whole at their meetings.

  In November 2012, the RMWGC updated the risk register and risk management action plans. The RMC met twice during the year in February and November 2012 to review Group's risk profile and progress of the action plans for 2012. The RMC tabled its report to the Audit Committee and the Board of Directors on 6 November 2012.

  The Internal Auditors were present at these meetings to provide an independent assessment of the adequacy and reliability of the risk management processes and compliance with risk policies.

  In line with the Group's focus on expanding its business activities, the RMC had undertaken a more detailed approach towards assessing risks relating to doing business locally and overseas. All project investment papers outline the risks involved with ratings on the probability and impact to the Group. The papers also propose steps or factors to mitigate the identified risks.

  The Group will continue to focus on the key risks and corresponding controls to ensure that they are able to respond effectively to the changing business and competitive environment to enhance shareholder value. Where necessary and feasible, additional controls will be promulgated for implementation.

ORGANISATION STRUCTURE AND VALUES

Operating Structure with clearly defined lines of responsibility and delegated authority

An organisation structure with clearly defined lines of responsibility, limits of authority and accountability is aligned to business and operations requirements in order to support the maintenance of a strong control environment. The Group has seven divisions with each division given clear responsibilities in terms of achieving the Group's objectives. Notably, the following divisions or units strengthen the Group's internal control framework:-

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- Procurement

  The Procurement Unit is entrusted with internal control responsibilities for price and contract negotiations for products and services. The Standard Procurement Policies and Procedures have also been put in place across the Group. The team envisions imbedding best procurement practices adapted from the Red Book concept of the GLC Transformation Programme that emphasises minimising cost, ensuring competitive cycle times, eradicating leakages, enhancing transparency and developing an extensive suppliers base.

- Regulatory Affairs

  The Regulatory Affairs Division establishes compliance at all levels of the Group's operations and ensure they operate in accordance with relevant legislation. Ensuring strict compliance to Government regulations is of profound importance to the Group and this division will continue to monitor and refine the protocols and systems to ensure total conformity to legislation.

- Integrity

  The existence of the independent Integrity department is to endorse professional ethics in the Group's working culture and to protect the interest and welfare of the stakeholders. The Group will strive to prevent and avoid any occurrence of corruption, fraud, conflict of interest, breach of fiduciary duties, and other commercial crimes in our principal affairs. All concerns raised via the whistleblowing channels will be treated fairly and properly. Evidence gathered in the investigation will be perused thoroughly. Disciplinary and where necessary, legal action will be taken against employees for any criminal and civil wrong committed against the Group.

Written policies and procedures on the limits of delegated authority

As part of the internal control system the Group has put in place Limits of Authority (LOA) that sets out the appropriate authorisation limits of respective levels of management to ensure all transactions are properly authorised before they are undertaken. The LOA is reviewed regularly to ensure that they continue to be relevant and effective. The Board approves all changes to the LOA.

Clearly documented standard operating procedures manuals

Policies and procedures for all key processes are clearly documented and reviewed at regular intervals. Certain subsidiary companies are certified under the various international standards such as ISO 9001, ISO 14001, ISO/IEC 17025 and OHSAS 18001. The business operations of the Group are also governed by various regulations and laws applicable to the pharmaceutical and healthcare industry. Compliance audits are regularly conducted by various independent bodies for the various certifications and licences obtained from SIRIM, the National Pharmaceutical Control Bureau, and certain multinational companies' evaluation committees.

The Board, either directly or through the Audit Committee, has been regularly briefed on any major findings arising from these independent audits.

Strategic Business Planning, Budgeting and Reporting

The Board plays an active role in strategic planning sessions held with management to discuss and review the plans, strategies, performance and risks faced by the Group. Strategic concerns were deliberated. Strategies and action plans were then reviewed and mandates were given to management by the Board to carry out the agreed strategies and action plans.

Based on strategies identified, the Annual Operating and Three-Year Business Plan together with Key Performance Indicators (KPIs) were drawn up and approved by the Board on 6 November 2012. This is to ensure accountability and achievement of the Group's objectives and strategies. Strategies are also revised based on changes in the business and operating environments. Inputs from the Board Strategic Planning Sessions are used to develop the Annual Operating and Three–Year Business Plan.

Business plans, budgets and KPIs are aligned to the Group's Three-Year Strategic Plan, that guide the Group in achieving its vision of becoming the preferred brand in healthcare in the markets we choose to serve. Measured actual achievements of financial and non-financial indicators against the approved budget and explanations for significant variances are tabled at monthly operations meetings and quarterly Board meetings. Effective utilisation of the budget is attained through regular monitoring by management.

Regular Monthly Reporting

Operational review meetings are conducted on a monthly basis to review and monitor matters pertaining to the business operations. The review is based on performance reports that provide comprehensive information on financial performance and other key non-financial indicators.

Performance Management

A structured Performance Management System (PMS) which is linked to and guided by established KPIs and Key Result Areas (KRAs) parameters has been implemented. The Group adopts the following Balance Scorecard quadrants (FCIO) to measure KPI achievements through the PMS:-

- **F**inancial ("F")
- **C**ustomer ("C")
- **I**nternal Business Process ("I")
- **O**rganisational Learning & Growth ("O")

FCIO provides a framework to translate and align the Group's strategy into measurable operational terms and is being used as a business unit and corporate performance measurement tool. This system has been implemented for employees at the executive and managerial level.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Human Resource Policies and Procedures

The Group has made an effort to realign its Human Resource policies and procedures covering the hiring, development, promotion, annual performance appraisal and termination of staff.

Emphasis is placed on the talent and competencies of employees through the recruitment strategy and continuous training and development. Recruitment and promotion guidelines within the Group have been established to ensure people of the appropriate calibre are selected to fill positions available. Succession planning is also reviewed annually to ensure continuity at all pivotal positions. Training and development programmes are established to ensure that staff is kept up to date with the necessary competencies to carry out their responsibilities toward achieving the Group's objectives.

Code of Conduct

A staff handbook containing the human resource policies and code of conduct is available to all employees either in bound copies or on the intranet. All employees are required to renew their declaration of non-conflict of interest every year. Induction programmes are conducted for all new employees to ensure that they are immediately made aware of the accepted code of ethical conduct and employee obligations and responsibilities under the Safety and Health policies.

Whistleblowing

The Whistleblower Policy provides a platform and acts as a mechanism for parties to channel their complaints or to provide information on fraud, wrong-doings or non-compliance to any rules or procedures by an employee or the management of the Group. The policy outlines when, how and to whom a concern may be properly raised, distinguishes a concern from a personal grievance and allows the whistleblower the opportunity to raise a concern outside their management line and in confidence. The identity of the whistleblower is kept confidential and protection is accorded to the whistleblower against any form of reprisal or retribution. Any concerns raised will be investigated and a report and update is provided to the Board.

Tender Award System

A Tender Committee (Committee) has been set up to enhance coordination and control on procurement of goods and services for projects. The Committee serves to increase efficiency and ensures the effectiveness of the system of internal controls embedded in the process of awarding tenders.

Insurance

Adequate insurance of major assets; buildings and machineries in all operating divisions and subsidiary companies is in place to ensure the Group's assets are sufficiently covered against any calamity that will result in material losses to the Group and/or its subsidiary companies.

MONITORING AND REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

All audit findings, recommendations and management actions are rigorously deliberated upon at Audit Committee meetings before being reported to the Board. Quarterly reports to the Audit Committee track the progress towards completion of all corrective actions taken on issues highlighted by the Group Internal Auditors.

The monitoring, review and reporting arrangements in place give reasonable assurance that the structure of controls and their implementation are appropriate to the Group's operations and that risks are at an acceptable level throughout the Group's businesses. Such arrangements, however, do not eliminate the possibility of human error or deliberate circumvention of control procedures by employees and others. The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interest of customers, regulators, employees and the Group's assets.

CONCLUSIONS

For the financial year under review, based on inquiry, information and assurances provided by the Managing Director and Chief Financial Officer, the Board is satisfied that the system of internal controls was generally satisfactorily. Measures are in place and continually being taken to ensure the ongoing adequacy and effectiveness of internal controls to safeguard the Group's assets and hence shareholders' investment.

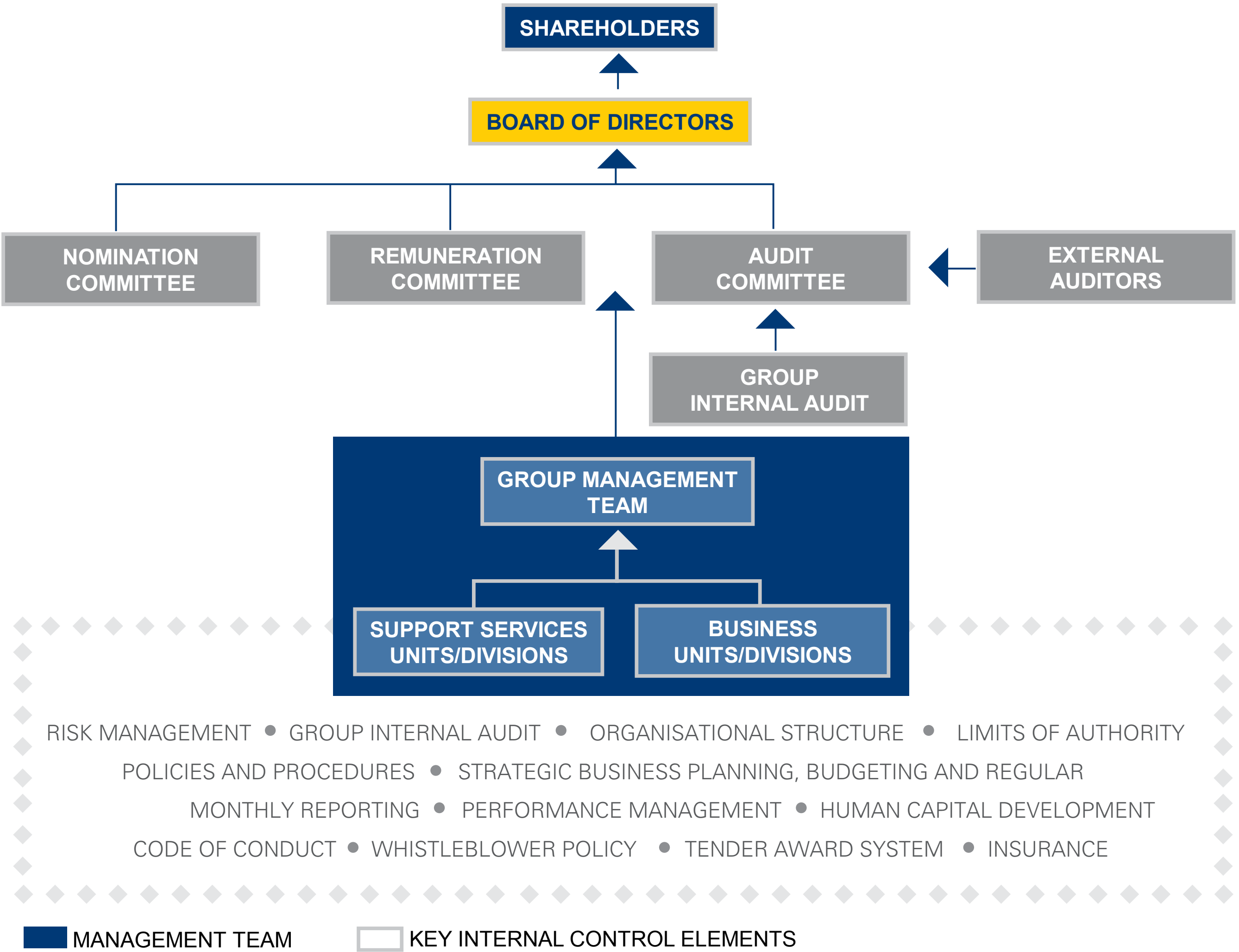
REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Company for the year ended 31 December 2012 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

This statement is made in accordance with the resolution of the Board of Directors dated 18 February 2013.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL FRAMEWORK OF PHARMANIAGA GROUP



The Group's internal control framework shown above signifies the accountability and reporting relationship between the Shareholders, the Board, the Audit Committee, Auditors and Management.

AUDIT COMMITTEE REPORT

The Board of Directors of Pharmaniaga Berhad is pleased to present the report of the Audit Committee for the financial year 2012.

MEMBERSHIPS AND MEETINGS

During the financial year, the Audit Committee held 5 meetings. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification. The details of attendance of each member at the Audit Committee meetings held during the financial year are set out below:

Name of Director	Status of Directorship	Independent	Meetings Attended
Mohd Suffian Haji Haron	Non-Executive Director Chairman of the Committee	Yes	5/5
Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)	Non-Executive Director	Yes	3/3
Daniel Ebinesan	Non-Executive Director	No	5/5
Izzat Othman	Non-Executive Director	Yes	5/5

The Managing Director, Chief Financial Officer, Head of Group Internal Audit and other senior management attended these meetings by invitation. The Audit Committee also invited the representatives of the External Auditors, Messrs. PricewaterhouseCoopers to attend the meetings twice during the year at which private sessions independent of the management, were held.

TERMS OF REFERENCE

In performing its duties and discharging its responsibilities, the Audit Committee is guided by its Terms of Reference. The Terms of Reference of the Audit Committee are contained in the Audit Committee Charter revised by the Board on 6 February 2013.

Membership

The Audit Committee shall comprise at least three non-executive directors, the majority of whom are independent, including the Chairman. All members of the Audit Committee shall be financially literate and at least one member shall be a professional or qualified accountant. Any vacancy resulting in there being no majority of independent directors shall be filled within three months.

AUDIT COMMITTEE REPORT

Authority

In carrying out its duties and responsibilities, the Audit Committee will have the following rights:

i) Have explicit authority to investigate any matter within its terms of reference, the resources to do so and full access to information. The Audit Committee should be able to obtain external professional advice and to invite outsiders with relevant experience and expertise to attend its meetings, if necessary and to brief the Committee thereof;

ii) Have the resources which are required to perform its duties;

iii) Have full, free and unrestricted access to any information, records, properties and personnel of Pharmaniaga and of any other companies within the Pharmaniaga Group;

iv) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

v) Be able to convene meetings with external auditors, excluding the attendance of the executive members of the Board and Management, whenever deemed necessary; and

vi) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of Pharmaniaga has not been satisfactorily resolved resulting in a breach of Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), the Audit Committee must promptly report such matter to Bursa Malaysia.

Key Functions and Responsibilities

The key functions and responsibilities of the Audit Committee are as follows:

i) To review with the external auditors, the audit plan, the nature and scope of audit, procedures employed, annual audit process and their audit report.

ii) To oversee Pharmaniaga's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation as well as encourage legal and regulatory compliance and review the evaluation of the system of internal control with the internal and external auditors.

iii) To ensure the internal audit function is independent of the activities they perform and review the adequacy of the scope, strategic and annual internal audit work plans, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.

iv) To review the overall performance of the internal audit function, internal audit plan and review the results of internal audit plan or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

v) To review the quarterly interim results, half-year and annual financial statements of the Group prior to approval by the Board of Directors, focusing particularly on changes in or implementation of major accounting policies; significant adjustment and unusual events arising from the audit; the going-concern assumptions and compliance with accounting standards and other legal and listing requirements.

vi) To review related party transactions entered into by the Company and the Group to ensure that they are in the best interest of the Group; fair, reasonable and on normal commercial terms; and not detrimental to minority shareholders.

vii) To review the procedures of recurrent related party transactions undertaken by the Company and the Group.

viii) To review with the external auditors with regards to the problems and reservations arising from their interim and final audits.

ix) To review the overall risk profile of the Pharmaniaga Group of Companies.

x) To consider the appointment and re-appointment of external auditors, recommend the audit fee payable, assess the performance of the external auditors and review any question of resignation and dismissal of external auditors and make recommendations to the Board of Directors on their appointment and removal.

xi) To recommend the nomination of a person or persons as external auditors.

xii) To review any letters of resignation from the external auditors and any questions of resignation or dismissal.

xiii) To monitor the Group's compliance to the MMLR and the Malaysian Code of Corporate Governance (Revised 2012) from assurances by the Company Secretary and the results of review by the external and internal auditors.

xiv) To report to Bursa Malaysia, any breaches of the MMLR which have not been satisfactorily resolved.

xv) To undertake such other functions as may be agreed to by the Committee and the Board of Directors.

SUMMARY OF ACTIVITIES

During the financial year 2012, the Audit Committee carried out its duties in accordance with its terms of reference.

Financial Reporting

- Reviewed the quarterly and year-to-date unaudited financial results of the Company and the Group including announcements, before recommending them for approval by the Board of Directors.
- Reviewed the annual audited financial statements of the Company and the Group with the external auditors prior to submission to the Board of Directors for approval.

AUDIT COMMITTEE REPORT

The review was to ensure that the financial reporting and disclosures are in compliance with:
- requirements of the Companies Act, 1965;
- MMLR of Bursa Malaysia;
- applicable approved accounting standards in Malaysia; and
- other relevant legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit Committee discussed with management and the external auditors the accounting principles and standards that were applied and their judgment of the items that may affect the financial statements.

Internal Audit

- Reviewed and approved Group Internal Audit's (GIA) Annual Audit Plan to ensure adequate scope and comprehensiveness of the activities and coverage on auditable entities with significant high risks.

- Reviewed adequacy of resource requirements and competencies of staff within the internal audit function to execute the annual audit plan and the results of the work.

- Reviewed the internal audit reports issued by GIA and thereafter discussed the management's actions taken to improve the system of internal control and any outstanding matters.

- Reviewed the adequacy and effectiveness of corrective actions taken by management on all significant matters raised. Monitored the corrective actions on the outstanding issues to ensure that all the key risks and control lapses have been addressed.

External Audit

- Reviewed with the external auditors:
  - their audit plan and scope of work for the year
  - the results of the annual audit, their audit report and management letter together with management's response to the findings of the external auditors.

- Assessed the independence and objectivity of the external auditors during the year and prior to the appointment of the external auditors for adhoc non-audit services. The Committee also received reports from the external auditors on their own policies regarding independence and the measures taken to control the quality of their work.

- Met with the external auditors twice during the year in the absence of management.

Related Party Transactions

- Reviewed the updates on the related party transactions entered into by Pharmaniaga Group and/or its group of companies.

- Reviewed the Circular to Shareholders relating to shareholders' mandate for recurrent related party transactions of revenue or trading nature prior to recommending it for Board's approval.

Annual Reporting

- Reviewed and recommended the Statement on Corporate Governance, Statement on Risk Management and Internal Control, Audit Committee Report and Circular to Shareholders on Recurrent Related Party Transactions to the Board for approval for disclosures in the Annual Report.

Risk Management

- The Audit Committee reviewed the overall risk profile of the Group's risk, the significant risks and provided guidance on the action plans to address the identified risks and further reported to the Board thereon. During the year, two meetings were held and presented to the Audit Committee.

INTERNAL AUDIT FUNCTION

The internal audit function of Pharmaniaga Group is carried out by the Group Internal Audit of Boustead Holdings Berhad. GIA provides independent, objective assurance on the areas of operations reviewed, and advise on best practices that will improve and add value to the Pharmaniaga Group. GIA adopts a risk-based methodology in planning and conducting audits by focusing on key risks areas. The GIA had operated and performed in accordance to the principles of the Internal Audit Charter that provides for its independence function. The GIA reports directly to the Audit Committee, and is independent of the activities it audits.

During the year, GIA carried out audits based on the plan approved by the Audit Committee. The internal audit reports on risk management, control and governance issues were provided to the management for their prompt corrective and preventive action for improvements in the related processes. The findings of the internal audits were communicated to the Audit Committee on a quarterly basis to enable an evaluation of the adequacy and integrity of the Group's risk management, control and governance systems.

The Company has an adequately resourced internal audit function to assist the Audit Committee and the Board in maintaining an effective system of internal control and overall governance practices within the Company and Group.

During the financial year, the Group internal audit function had undertaken the following activities:

- Prepared the annual audits plan for approval by the Audit Committee.
- Performed risk-based audits based on the annual audit plan, including follow-up of matters from previous internal audit reports.
- Issued internal audit reports to the management on risk management, control and governance issues identified from the risk based audits together with recommendations for improvements for these processes.
- Reported on a quarterly basis to the Audit Committee the achievement of the audit plan and status of resources of the Group internal audit function.
- Reviewed the procedures relating to related party transactions.

The total cost incurred for the Group internal audit function in respect of the financial year ended 31 December 2012 amounted to RM374,100.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and Company have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors take responsibility in ensuring that the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:

- Applied the appropriate and relevant accounting policies on a consistent basis;
- Made judgements and estimates that are prudent and reasonable; and
- Prepared the financial statements on the going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the requirements of Companies Act, 1965.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiary companies are disclosed in Note 15 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	63,205	184,909
Attributable to:		
Owners of the parent	61,710	184,909
Non-controlling interest	1,495	–
	63,205	184,909

DIVIDENDS

The Directors have declared the following dividends in respect of the financial year ended 31 December 2012:

	Net dividend		
	Sen per share	RM'000	Payment Date
First interim single tier dividend	7.5	8,826	18 June 2012
Second interim single tier dividend	7.5	8,826	12 September 2012
Third interim single tier dividend	10.0	11,767	17 December 2012
Fourth interim single tier dividend	10.0	11,767	27 March 2013
	35.0	41,186	

DIVIDENDS (CONTINUED)

The fourth interim single tier dividend of 10 sen per share amounting to RM11,767,397 mentioned above in respect of the financial year ended 31 December 2012 will be paid on 27 March 2013 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2012.

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

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM106,977,788 to RM117,673,969 by way of the bonus issue of 10,696,181 new ordinary shares of RM1.00 each to be credited as fully paid-up, on the basis of one (1) bonus share for every ten (10) existing shares held via capitalisation of share premium account amounting to RM10,696,181 to address the public spread shareholding requirement of the Company.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 37 to the financial statements.

DIRECTORS

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

Tan Sri Dato' Seri Lodin Wok Kamaruddin
Dato' Farshila Emran
Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Rtd.)
Mohd Suffian Haji Haron
Daniel Ebinesan
Izzat Othman

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 Notes 8 and 9 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 36(f) to the financial statements.

REMUNERATION COMMITTEE

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the Managing Director on an annual basis and makes recommendation to the Board of Directors. The members of the Remuneration Committee are:

Mohd Suffian Haji Haron (Chairman)
Tan Sri Dato' Seri Lodin Wok Kamaruddin
Izzat Othman

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 corporations were as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2012	**Acquired**	**Sold**	**At 31.12.2012**
The Company				
Direct interest				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	3,184,538	2,700,266	202,918	5,681,886
Dato' Farshila Emran	200,000	220,000	–	420,000
Mohd Suffian Haji Haron	50,000	5,000	55,000	–
Daniel Ebinesan	158,468	145,846	89,314	215,000
Izzat Othman	50,000	5,000	10,000	45,000

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

	Number of ordinary shares of RM0.50 each			
	At 1.1.2012	Acquired	Sold	At 31.12.2012
Immediate holding company				
Boustead Holdings Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	26,011,599	2,601,159	420,000	28,192,758
Daniel Ebinesan	143,400	14,340	–	157,740

	Number of ordinary shares of RM1.00 each			
	At 1.1.2012	Acquired	Sold	At 31.12.2012
Related corporations				
Boustead Heavy Industries Corporation Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	–	–	2,000,000
Mohd Suffian Haji Haron	10,000	10,000	–	20,000
Daniel Ebinesan	20	–	–	20
Boustead Petroleum Sdn. Bhd.				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	–	–	5,916,465
Affin Holdings Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	808,714	–	–	808,714
Daniel Ebinesan	27,000	–	–	27,000

	Number of redeemable preference shares of RM1.00 each			
	At 1.1.2012	Acquired	Sold	At 31.12.2012
Boustead Petroleum Sdn. Bhd.				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	50	–	–	50

Other than as disclosed above, according to the Register of Directors' Shareholdings, the other Director in office at the end of the financial year does not hold any interest in shares in the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

CURRENT ASSETS VALUATION

Before the income statements and statements of financial position of the Group and of the Company 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 of the 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 of the 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 of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the 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 of the 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 of the 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 of the Company which has arisen since the end of the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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 of the 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 of the Company for the year in which this report is made.

HOLDING CORPORATIONS

The Directors regard Boustead Holdings Berhad, a company incorporated in Malaysia, and Lembaga Tabung Angkatan Tentera, a local statutory body established under the Tabung Angkatan Tentera Act, 1973, as the immediate holding company and ultimate holding corporation respectively.

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 27 February 2013.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
CHAIRMAN

DATO' FARSHILA EMRAN
MANAGING DIRECTOR

STATEMENT BY DIRECTORS PURSUANT TO

Section 169(15) Of The Companies Act, 1965

We, Tan Sri Dato' Seri Lodin Wok Kamaruddin and Dato' Farshila Emran, being two of the Directors of Pharmaniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 84 to 181 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out in Note 40 on page 182 have been prepared in accordance with the 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.

Signed on behalf of the Board of Directors in accordance with a resolution dated 27 February 2013.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
CHAIRMAN

DATO' FARSHILA EMRAN
MANAGING DIRECTOR

STATUTORY DECLARATION PURSUANT TO

Section 169(16) Of The Companies Act, 1965

I, Norai'ni Mohamed Ali, 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 84 to 181 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.

NORAI'NI MOHAMED ALI

Subscribed and solemnly declared by the abovenamed Norai'ni Mohamed Ali at Kuala Lumpur on 27 February 2013, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To The Members Of Pharmaniaga Berhad (Incorporated In Malaysia)
(Company No. 467709 M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Pharmaniaga Berhad, which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 84 to 181.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 Company's preparation of financial statements that give a true and fair view 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 Company'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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

To The Members Of Pharmaniaga Berhad (Incorporated In Malaysia)
(Company No. 467709 M)

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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 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) The 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 is disclosed to meet the requirement 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 MATTER

As stated in Note 2(a) to the financial statements, Pharmaniaga Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

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. 2059/06/14 (J))
Chartered Accountant

Kuala Lumpur
27 February 2013

INCOME STATEMENTS

For The Financial Year Ended 31 December 2012

		Group		Company	
	Note	**2012 RM'000**	2011 RM'000	**2012 RM'000**	2011 RM'000
Revenue	5	**1,812,346**	1,520,981	**330,225**	18,623
Cost of sales	6	**(1,519,189)**	(1,312,761)	**–**	–
Gross profit		**293,157**	208,220	**330,225**	18,623
Other income		**931**	2,060	**8**	2,978
Administrative expenses		**(176,408)**	(133,541)	**(60,286)**	(12,099)
Finance costs	7	**(14,959)**	(4,164)	**(6,829)**	(23)
Interest income		**592**	948	**3,566**	–
Share of results from associated company		**–**	(337)	**–**	–
Profit before zakat and taxation	8	**103,313**	73,186	**266,684**	9,479
Zakat		**(350)**	(300)	**–**	–
Taxation	10	**(39,758)**	(20,101)	**(81,775)**	1,716
Net profit for the financial year		**63,205**	52,785	**184,909**	11,195
Attributable to:					
Owners of the parent		**61,710**	52,157	**184,909**	11,195
Non-controlling interest		**1,495**	628	**–**	–
Net profit for the financial year		**63,205**	52,785	**184,909**	11,195
Earnings per share (sen):					
- basic	11	**52.44**	44.32		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2012

		Group		Company	
	Note	**2012 RM'000**	2011 RM'000	**2012 RM'000**	2011 RM'000
Net profit for the financial year		**63,205**	52,785	**184,909**	11,195
Other comprehensive (loss)/income, net of tax:					
Foreign currency translation differences for foreign operation		**(2,955)**	270	**–**	–
Recognition of actuarial gains/(losses)	31	**56**	(1,207)	**–**	–
Total comprehensive income, net of tax for the financial year		**60,306**	51,848	**184,909**	11,195
Attributable to:					
Owners of the parent		**60,116**	51,642	**184,909**	11,195
Non-controlling interest		**190**	206	**–**	–
		60,306	51,848	**184,909**	11,195

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2012

		Group		
	Note	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	**339,660**	348,030	278,698
Prepaid lease payments	14	**1,126**	1,177	1,228
Investments in associated companies	16	**19**	19	5,427
Intangible assets	17	**149,523**	102,186	28,820
Deferred tax assets	30	**9,137**	12,307	10,945
		499,465	463,719	325,118
Current assets				
Inventories	18	**464,855**	384,614	230,013
Trade receivables	19	**199,535**	203,584	123,462
Other receivables	20	**18,754**	17,988	14,006
Tax recoverable		**5,664**	8,495	6,304
Deposits, cash and bank balances	23	**34,553**	55,075	102,977
		723,361	669,756	476,762
TOTAL ASSETS		**1,222,826**	1,133,475	801,880

		Group		
	Note	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the Company				
Share capital	28	**117,674**	106,978	106,978
Share premium		**11,751**	22,447	22,447
Exchange reserves	3.3(b)	**(1,058)**	1,897	–
Retained earnings	29	**343,651**	334,710	292,186
		472,018	466,032	421,611
Non-controlling interest		**15,835**	15,645	15,439
Total equity		**487,853**	481,677	437,050
Non-current liabilities				
Loans and borrowings	27	**72**	102	59
Deferred tax liabilities	30	**5,137**	5,051	1,530
Provision for defined benefit plan	31	**6,036**	5,493	3,598
		11,245	10,646	5,187
Current liabilities				
Trade payables	24	**306,162**	340,834	300,496
Other payables	25	**71,337**	96,507	24,652
Amount due to immediate holding company	26	**179**	223	–
Amounts due to related companies	22	**2,612**	3,307	–
Current tax liabilities		**2,461**	4,842	1,428
Loans and borrowings	27	**340,977**	188,218	33,067
Dividend payable		**–**	7,221	–
		723,728	641,152	359,643
Total liabilities		**734,973**	651,798	364,830
TOTAL EQUITY AND LIABILITIES		**1,222,826**	1,133,475	801,880

The accompanying notes form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As At 31 December 2012

	Note	Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
ASSETS				
Non-current assets				
Investments in subsidiary companies	15	**357,176**	285,176	185,823
Amount due from a subsidiary company	21	**47,060**	150,117	136,808
Investments in associated companies	16	**19**	19	1,970
		404,255	435,312	324,601
Current assets				
Other receivables	20	**180**	153	136
Amounts due from subsidiary companies	21	**100,351**	66,702	3,432
Dividend receivable		**175,050**	10,500	–
Tax recoverable		**–**	3,500	–
Deposits, cash and bank balances	23	**444**	360	836
		276,025	81,215	4,404
TOTAL ASSETS		**680,280**	516,527	329,005

	Note	Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the Company				
Share capital	28	**117,674**	106,978	106,978
Share premium		**11,751**	22,447	22,447
Retained earnings	29	**171,455**	40,676	36,702
Total equity		**300,880**	170,101	166,127
Current liabilities				
Other payables	25	**3,856**	50,445	700
Amount due to immediate holding company	26	**155**	223	–
Amounts due to subsidiary companies	21	**255,351**	238,480	162,178
Amounts due to related companies	22	**38**	57	–
Loans and borrowings	27	**120,000**	50,000	–
Dividend payable		**–**	7,221	–
		379,400	346,426	162,878
TOTAL EQUITY AND LIABILITIES		**680,280**	516,527	329,005

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2012

		Equity attributable to equity holders of the Company						
	Note	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Distributable retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group								
At 1 January 2012		**106,978**	**22,447**	**1,897**	**334,710**	**466,032**	**15,645**	**481,677**
Comprehensive income:								
- Net profit for the financial year		**–**	**–**	**–**	**61,710**	**61,710**	**1,495**	**63,205**
- Other comprehensive income/(loss)		**–**	**–**	**(2,955)**	**1,361**	**(1,594)**	**(1,305)**	**(2,899)**
Total comprehensive income for the financial year		**–**	**–**	**(2,955)**	**63,071**	**60,116**	**190**	**60,306**
Issuance of bonus shares	28	**10,696**	**(10,696)**	**–**	**–**	**–**	**–**	**–**
Dividends	12	**–**	**–**	**–**	**(54,130)**	**(54,130)**	**–**	**(54,130)**
At 31 December 2012		**117,674**	**11,751**	**(1,058)**	**343,651**	**472,018**	**15,835**	**487,853**
At 1 January 2011		106,978	22,447	–	292,186	421,611	15,439	437,050
Comprehensive income:								
- Net profit for the financial year		–	–	–	52,157	52,157	628	52,785
- Other comprehensive income/(loss)		–	–	1,897	(2,412)	(515)	(422)	(937)
Total comprehensive income for the financial year		–	–	1,897	49,745	51,642	206	51,848
Dividends	12	–	–	–	(7,221)	(7,221)	–	(7,221)
At 31 December 2011		106,978	22,447	1,897	334,710	466,032	15,645	481,677

COMPANY STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2012

	Note	Non-distributable Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
Company					
At 1 January 2012		**106,978**	**22,447**	**40,676**	**170,101**
Total comprehensive income for the financial year		**–**	**–**	**184,909**	**184,909**
Issuance of bonus shares	28	**10,696**	**(10,696)**	**–**	**–**
Dividends	12	**–**	**–**	**(54,130)**	**(54,130)**
At 31 December 2012		**117,674**	**11,751**	**171,455**	**300,880**
At 1 January 2011		106,978	22,447	36,702	166,127
Total comprehensive income for the financial year		–	–	11,195	11,195
Dividends	12	–	–	(7,221)	(7,221)
At 31 December 2011		106,978	22,447	40,676	170,101

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2012

		Group		Company	
	Note	**2012 RM'000**	2011 RM'000	**2012 RM'000**	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**1,891,973**	1,536,468	**70,596**	–
Cash payments to suppliers and employees		**(1,821,093)**	(1,574,917)	**(6,934)**	(10,684)
Cash generated from/(used in) operations		**70,880**	(38,449)	**63,662**	(10,684)
Interest paid		**(18,609)**	(4,152)	**–**	–
Tax (paid)/refunded		**(36,118)**	(23,450)	**–**	1,716
Interest received		**570**	950	**–**	–
Net cash generated from/(used in) operating activities		**16,723**	(65,101)	**63,662**	(8,968)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of a subsidiary (net of cash acquired)	15	**(48,868)**	(94,380)	**(48,868)**	(109,863)
Proceeds from disposal of property, plant and equipment		**367**	269	**–**	–
Proceeds from disposal of an associated company		**–**	4,928	**–**	4,928
Purchase of property, plant and equipment		**(22,510)**	(30,492)	**–**	–
Purchase of intangible assets		**(56,273)**	(12,108)	**–**	–
Gross advances to subsidiaires		**–**	–	**(47,946)**	(18,592)
Gross repayments from subsidiaires		**–**	–	**10,166**	130
Net cash used in investing activities		**(127,284)**	(131,783)	**(86,648)**	(123,397)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		**(61,351)**	–	**(61,351)**	–
Drawdown of short term borrowings		**592,580**	169,134	**70,000**	50,000
Repayment of short term borrowings		**(441,733)**	(20,096)	**(6,829)**	(11)
Gross advances received from subsidiaries		**–**	–	**92,800**	86,800
Gross repayments to subsidiaires		**–**	–	**(71,550)**	(4,900)
Net cash generated from financing activities		**89,496**	149,038	**23,070**	131,889
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(21,065)**	(47,846)	**84**	(476)
Foreign exchange differences		**543**	(56)	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**55,075**	102,977	**360**	836
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	23	**34,553**	55,075	**444**	360

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

1 GENERAL INFORMATION

The Company is an investment holding company. The principal activities of its subsidiary companies are disclosed in Note 15.

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

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

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

Registered office:

28th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur

Principal place of business:

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

The Directors regard Boustead Holdings Berhad, a company incorporated in Malaysia, and Lembaga Tabung Angkatan Tentera ("LTAT"), a local statutory body established under the Tabung Angkatan Tentera Act, 1973, as the immediate holding company and ultimate holding corporation respectively.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied 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 of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 "First-time adoption of MFRS". Subject to certain transition elections disclosed in Note 3.2, the Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 January 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. Note 3.3 discloses the impact of the transition to MFRS on the Group and the Company's reported financial position, financial performance and cash flows.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS 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 revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and the Company's accounting policies. Although these estimates and judgments are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards early adopted by the Group

The amendment to published standard that has been early adopted by the Group in the financial year beginning on or after 1 January 2012 is as follows:

- Amendment to MFRS 119 "Employee benefits" makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains or losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

  The impact arising from the initial application of the amendment to the standard on the financial statements of the Group is disclosed in Note 3.3.

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

The Group will apply the new standards, amendments to standards and interpretations in the following period:

(a) Financial year beginning on/after 1 January 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

- MFRS 11 "Joint arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

The Group will apply the new standards, amendments to standards and interpretations in the following period: (continued)

(a) Financial year beginning on/after 1 January 2013 (continued)

- MFRS 12 “Disclosures of interests in other entities” (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 “Investments in associates”. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13 “Fair value measurement” (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 “Financial instruments: Disclosures”, but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127 “Separate financial statements” (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- The revised MFRS 128 “Investments in associates and joint ventures” (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

- Amendment to MFRS 101 “Presentation of items of other comprehensive income” (effective from 1 July 2012) requires entities to separate items presented in ‘other comprehensive income’ (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

- Amendment to MFRS 7 “Financial instruments: Disclosures” (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

The Group will apply the new standards, amendments to standards and interpretations in the following period: (continued)

(b) Financial year beginning on/after 1 January 2014

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(c) Financial year beginning on/after 1 January 2015

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The above standards amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group and of the Company in the year of initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies 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. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The Group applies the acquisition method to account for business combinations under common control.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(i) Subsidiary companies (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Inter-company transactions, balances and income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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 any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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.

(ii) Associated companies

Associated companies are all entities in which the Group has significant influence but 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 of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) Associated companies (continued)

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 is reclassified to profit or loss where appropriate.

The Group's share of its associated companies' post-acquisition profits or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in associated companies is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profit and losses resulting from upstream and downstream transactions of the Group and its associated companies are recognised in the Group's financial statements only to the extent or unrelated investor's interests in the associates. 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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currencies

(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 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 and 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.

(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 are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income or separate income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of other comprehensive income.

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. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currencies (continued)

(iii) Group companies (continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to the income statement. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates) the proportionate share of the accumulated exchange difference is reclassified to income statement.

(e) Property, plant and equipment

All property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses except for freehold land and capital work-in-progress which are not depreciated. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see accounting policy Note 2(o) on borrowings and borrowing costs).

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. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement.

Freehold land is not depreciated as it has an infinite life. Leasehold land is amortised in equal instalments over the period of the respective leases that ranges from 50 to 99 years. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

The annual depreciation rates used are as follows:

Freehold buildings	2%
Leasehold buildings	2% - 5%
Motor vehicles	14% - 25%
Plant and machinery	5% - 10%
Furniture and fittings	5% - 20%
Renovation	5% - 20%
Equipment	7% - 20%

Depreciation on assets under construction commences when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date. The effects of any revision of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(j) on impairment of non-financial assets.

(f) Prepaid lease payments

Payment for rights to use land over a predetermined period is classified as prepaid lease payments that is accounted for as an operating lease and is stated at cost less accumulated amortisation and accumulated impairment losses.

Prepaid lease payments are amortised on a straight-line basis over the lease period of 33 years.

(g) Investments

In the Company's separate financial statements, investments in subsidiary and associated companies are carried at cost less accumulated impairment losses. 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 non-financial assets.

On disposal of an investment, the difference between disposal proceeds and its carrying amount of the investment are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiary and associated companies and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. See accounting policy Note 2(j) on impairment of non-financial assets.

(ii) Project development expenditure

All expenses relating to the development of the pharmaceutical business under concession is capitalised and amortised over the previous 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 its recoverable amount. See accounting policy Note 2(j) on impairment of non-financial assets.

(iii) Brand

Brand represents the brand name of a product line acquired by the Group. 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 non-financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (continued)

(iv) Software

Acquired software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. This cost is amortised over its estimated useful life of 8 years.

(v) Rights to supply

(i) Concession Agreement

Expenses incurred to acquire the rights under the Concession Agreement to supply pharmaceutical products are capitalised and carried at cost less accumulated amortisation and any accumulated impairment losses. The rights are amortised over the concession period of 10 years.

(ii) Supply Agreement

Expenses incurred to acquire the rights under the Novation Agreement to supply pharmaceutical products are capitalised and carried at cost less accumulated amortisation and any accumulated impairment losses. The rights are amortised over the period of supply agreement of 22 months from 1 April 2012 to 31 January 2014.

Where an indication of impairment exists, the carrying amount of the rights to supply pharmaceutical products is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(j) on impairment of non-financial assets.

(i) Research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognised as intangible assets when the following criterias are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the intangible asset;
(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criterias are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period. Capitalised development costs recognised as intangible assets are amortised on a systematic basis over their expected useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever 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 carrying amount of the asset 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.

The impairment loss is charged to the income statement. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement.

(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 in-house 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.

(l) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise 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. Bank overdrafts are included within borrowings in current liabilities in the statement of financial position.

(n) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(iii) Dividends

Interim dividends on ordinary shares are recognised as liabilities when declared. Proposed final dividends are accrued as liabilities only after approval by shareholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Borrowings and borrowing costs

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

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.

(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. Payables 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 employee 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits (continued)

(ii) Defined contribution plan

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 employee benefits relating to employee service in the current and prior years.

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

(iii) Defined benefit plan

The defined benefit liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses unrecognised past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, by discounting the estimated future cash outflows using market yields at the reporting date on government securities which have currency and term to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in retained earnings in other comprehensive income in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to profit or loss in subsequent period.

Past service costs are recognised immediately in profit or loss, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Provisions

Provisions 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 can be 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 finance cost.

(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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (continued)

(ii) Contracts (continued)

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.

(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 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 income 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 reporting date in the countries where the Group's subsidiaries and associated companies 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. This liability is measured using the single best estimate of the most likely outcome.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Current and deferred income taxes (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, 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 tax laws) that have been enacted or substantively enacted by the end of the reporting period 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 to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax is recognised on temporary differences arising on investments in subsidiary and associated companies, except where the timing of the reversal of the temporary difference can be 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 tax 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.

(u) Financial assets

<u>Classification</u>

The Group classifies its financial assets as 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.

<u>Loans and receivables</u>

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 date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'deposits, cash and bank balances' in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial assets (continued)

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.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

De-recognition

Financial assets are de-recognised 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.

(v) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position 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 date 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

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;
- 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 income statement. If 'loan and receivables' 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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Zakat

The Group recognised its obligations towards the payment of zakat on business in the income statement. 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 reporting date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for 2012 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 recognised in the income statement over the period necessary to match the related costs for which the grants are intended to compensate.

(z) Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(aa) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases (continued)

Accounting by lessee

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

3 TRANSITION FROM FRS TO MFRS AND EARLY ADOPTION OF AMENDMENT TO MFRS 119

3.1 MFRS 1 mandatory exceptions

Estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

3 TRANSITION FROM FRS TO MFRS AND EARLY ADOPTION OF AMENDMENT TO MFRS 119 (CONTINUED)

3.2 MFRS 1 exemption options

(a) Exemption for business combinations

MFRS 1 provides the option to apply MFRS 3 "Business combinations" prospectively for business combination that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group elected to apply MFRS 3 prospectively to business combinations that occurred after 1 January 2011. Business combinations that occurred prior to 1 January 2011 have not been restated. In addition, the Group has also applied MFRS 127 "Consolidated and separate financial statements" from the same date.

(b) Exemption for cumulative translation differences

MFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with MFRS 121 "The effects of changes in foreign exchange rates" from the date a foreign operation was acquired. The Group elected to reset all cumulative translation differences to zero in opening retained earnings at its transition date. At the transition date, cumulative translation differences amounted to RM3,885,000.

3.3 Explanation of transition from FRSs to MFRSs and early adoption of Amendment to MFRS 119

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior years. The following tables represent the reconciliations from FRSs and MFRSs and early adoption of Amendment to MFRS 119 for the respective years noted for equity, statement of financial position and total comprehensive income.

(a) Reconciliation of equity

Group

	Note	**31.12.2011** **RM'000**	**1.1.2011 (date of transition) RM'000**
Equity as reported under FRS/as reported in the first interim report as at 31 March 2012		483,307	437,473
Less: Early adoption of Amendment to MFRS 119:			
Recognition of cumulative actuarial gains and losses	2(a)(i)	(1,630)	(423)
Transition from FRSs to MFRSs		–	–
Equity as reported under MFRS and early adoption of Amendment to MFRS 119		481,677	437,050

3 TRANSITION FROM FRS TO MFRS AND EARLY ADOPTION OF AMENDMENT TO MFRS 119 (CONTINUED)

3.3 Explanation of transition from FRSs to MFRSs and early adoption of Amendment to MFRS 119 (continued)

(b) Reconciliation of statement of financial position

Group

	FRS RM'000	Effect of transition to MFRS RM'000	Effect of early adoption RM'000	Reclassification RM'000	MFRS RM'000
At 31 December 2011					
Property, plant and equipment	346,340	–	–	1,690[1]	348,030
Prepaid lease payments	2,867	–	–	(1,690)[1]	1,177
Provision for defined benefit plan	3,863	–	1,630	–	5,493
Exchange reserves	(1,988)	3,885	–	–	1,897
Retained earnings	341,510	(3,885)	(897)	(2,018)[2]	334,710
Non-controlling interest	14,360	–	(733)	2,018[2]	15,645
At 1 January 2011					
Property, plant and equipment	276,976	–	–	1,722	278,698
Prepaid lease payments	2,950	–	–	(1,722)	1,228
Provision for defined benefit plan	3,175	–	423	–	3,598
Exchange reserves	(3,885)	3,885	–	–	–
Retained earnings	296,304	(3,885)	(233)	–	292,186
Non-controlling interest	15,629	–	(190)	–	15,439

[1] Reclassification of long term leasehold land from prepaid lease payments to property, plant and equipment

[2] Reclassification of non-controlling interest share of retained earnings

3 TRANSITION FROM FRS TO MFRS AND EARLY ADOPTION OF AMENDMENT TO MFRS 119 (CONTINUED)

3.3 Explanation of transition from FRSs to MFRSs and early adoption of Amendment to MFRS 119 (continued)

(b) Reconciliation of statement of financial position (continued)

Company

	FRS RM'000	Reclassification RM'000	MFRS RM'000
At 31 December 2011			
Amounts due from subsidiary companies:			
- non-current	–	150,117[3]	150,117
- current	216,819	(150,117)[3]	66,702
At 1 January 2011			
Amounts due from subsidiary companies:			
- non-current	–	136,808[3]	136,808
- current	140,240	(136,808)[3]	3,432

[3] Reclassification of amount due from a subsidiary company from current to non-current to conform with current year's presentation

(c) Reconciliation of total comprehensive income

Group

	Note	31.12.2011 RM'000
Total comprehensive income as reported under FRS/ as reported in the first interim report as at 31 March 2012		53,055
Less: Early adoption of Amendment to MFRS 119:		
Recognition of actuarial gains and losses	2(a)(i)	(1,207)
Transition from FRSs to MFRSs		–
Total comprehensive income as reported under MFRS and early adoption of Amendment to MFRS 119		51,848

(d) Reconciliation of statement of cash flows

The transition from FRS to MFRS and early adoption of Amendment to MFRS 119 have had no effect on the reported cash flows generated by the Group and the Company.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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.

<u>Estimated impairment of goodwill</u>

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(j) on impairment of non-financial assets. 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 17.

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 17 on the impairment assessment of goodwill.

<u>Impairment of property, plant and equipment</u>

The Group assesses whether there is any indication that property, plant and equipment are impaired at the end of each reporting date. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Projected future cash flows are calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. An impairment assessment was carried out during the financial year in respect of a small volume injectable production plant of a subsidiary with carrying amount of RM140.9 million as at 31 December 2012. This subsidiary has been reporting losses for the past two years which then led to an impairment assessment.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Impairment of property, plant and equipment (continued)

The key assumptions used in the value-in-use calculations are as follows:

	Malaysia	ASEAN	European Union
2012			
Gross margin[1]	**22%**	**26%**	**16%**
Growth rate[2]	**7%**	**8%**	**8%**
Discount rate[3]	**10%**	**10%**	**10%**
2011			
Gross margin[1]	27%	27%	33%
Growth rate[2]	10%	10%	12%
Discount rate[3]	10%	10%	10%

Based on the impairment assessment, the recoverable amount of RM145.2 million exceeded the carrying amount of the small volume injectables production plant by RM4.3 million. Accordingly, there is no impairment on the small volume injectable production plant.

The table below summarises the resulting impact to recoverable amount with changes in key assumptions for the European Union market with all other variables including tax rate are held constant:

Assumptions	Recoverable amount RM'000	Carrying amount RM'000	Impairment RM'000
Decrease in growth rate to 10%	124,737	140,887	(16,150)
Decrease in gross margin by 1.5%	123,384	140,887	(17,503)
Increase in discount rate to 10.5%	116,424	140,887	(24,463)

[1] Budgeted gross margin
[2] Weighted average growth rate
[3] Pre-tax discount rate applied to the cash flow projections

Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances, and deductible temporary differences to the extent that it is probable that taxable profits will be available against which the losses and capital can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

5 REVENUE

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Revenue consists of:				
Contracts (Note 32)	**45,385**	5,792	**–**	–
Sale of goods	**1,766,961**	1,515,189	**–**	–
Dividend income	**–**	–	**321,850**	14,000
Management fees	**–**	–	**8,375**	4,623
	1,812,346	1,520,981	**330,225**	18,623

6 COST OF SALES

	Group	
	2012 RM'000	2011 RM'000
Cost of sales consists of:		
Amortisation of intangible assets	**24,601**	371
Depreciation of property, plant and equipment	**19,458**	12,195
Employee benefit expenses (Note 9)	**31,115**	15,513
Finished goods and work in progress purchases	**1,286,380**	1,206,618
Impairment of slow moving and obsolete inventories	**1,440**	3,197
Inventories written off	**473**	2,583
Raw materials and consumables used	**85,188**	35,836
Selling and distribution costs	**21,441**	18,948
Others	**5,620**	13,293
Cost of inventories sold	**1,475,716**	1,308,554
Contracts costs (Note 32)	**43,473**	4,207
	1,519,189	1,312,761

7 FINANCE COSTS

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Interest expenses on:				
- bankers' acceptances	**4,718**	283	**–**	–
- revolving credits	**6,829**	–	**6,829**	–
- time loan	**3,412**	3,881	**–**	23
	14,959	4,164	**6,829**	23

8 PROFIT BEFORE ZAKAT AND TAXATION

(a) The following expenses (excluding finance costs and share of results from associated company) have been charged in arriving at profit before zakat and taxation:

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Amortisation of intangible assets	**611**	637	**–**	–
Amortisation of prepaid lease payments (Note 14)	**51**	51	**–**	–
Auditors' remuneration:				
- statutory audit fees				
- PricewaterhouseCoopers, Malaysia	**279**	248	**91**	81
- firm other than member firm of PricewaterhouseCoopers International Limited	**142**	70	**–**	–
- under/(over) accrual in prior years	**10**	13	**(14)**	13
- other non-audit fees	**272**	359	**55**	47
Directors' fees:				
- Executive	**9**	–	**–**	–
- Non-executive	**352**	303	**321**	279
Employee benefit expenses (Note 9)	**88,596**	54,018	**8,551**	6,280
Impairment loss on:				
- amount due from a subsidiary company	**–**	–	**45,922**	–
- investment in a subsidiary company	**–**	–	**–**	378
- goodwill	**4,853**	–	**–**	–
Loss on disposal of an associated company	**–**	144	**–**	–
Property, plant and equipment:				
- depreciation	**9,332**	9,221	**–**	–
- written-off (Note 13)	**215**	5	**–**	–

8 PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

(a) The following expenses (excluding finance costs and share of results from associated company) have been charged in arriving at profit before zakat and taxation: (continued)

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Impairment of slow moving and obsolete inventories	**1,129**	13,810	**–**	–
Management fees paid/payable to immediate holding company	**376**	182	**268**	216
Provision for impairment of trade receivables (Note 19)	**7,972**	415	**–**	–
Rental of premises	**6,685**	3,302	**1**	3
Rental of equipment	**2,400**	1,934	**3**	63
Research and development expenses	**1,183**	1,301	**–**	–

(b) The following amounts have been credited in arriving at profit before zakat and taxation:

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Foreign exchange gains	**–**	728	**–**	–
Gain on disposal of an associated company	**–**	–	**–**	2,978
Gain on disposal of property, plant and equipment	**181**	254	**–**	–
Recovery of bad debts	**–**	876	**–**	–
Rental income	**64**	16	**–**	–
Utilisation of government grants (Note 25)	**309**	122	**–**	–
Others	**377**	64	**8**	–
	931	2,060	**8**	2,978

9 EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2012 **RM'000**	2011 RM'000	**2012** **RM'000**	2011 RM'000
Salaries and bonuses	**81,322**	47,913	**5,551**	4,327
Defined contribution plan	**9,404**	6,874	**605**	582
Defined benefit plan (Note 31)	**1,129**	748	**–**	–
Other short term employee benefits	**27,037**	13,402	**1,576**	777
	118,892	68,937	**7,732**	5,686
Executive director's remuneration:				
Salaries and bonuses	**665**	400	**665**	400
Fee	**9**	–	**–**	–
Defined contribution plan	**87**	53	**87**	53
Other short term employee benefits	**67**	141	**67**	141
	828	594	**819**	594
Total	**119,720**	69,531	**8,551**	6,280
Employee benefit expenses included in:				
- Cost of sales (Note 6)	**31,115**	15,513	**–**	–
- Administrative expenses (Note 8 (a))	**88,596**	54,018	**8,551**	6,280
Executive director's fees (Note 8 (a))	**9**	–	**–**	–
	119,720	69,531	**8,551**	6,280

The estimated monetary value of benefits provided to a Director of the Company during the financial year amounted to RM7,200 (2011: RM5,400).

10 TAXATION

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Current tax:				
- Malaysian income tax	**29,211**	22,850	**78,275**	–
- foreign income tax	**1,464**	655	**–**	–
- under/(over) accrual in prior years	**5,827**	(1,229)	**3,500**	(1,716)
	36,502	22,276	**81,775**	(1,716)
Deferred taxation (Note 30):				
- origination and reversal of temporary differences	**3,256**	(2,175)	**–**	–
Tax expense/(credit)	**39,758**	20,101	**81,775**	(1,716)

A reconciliation of income tax expense/(credit) applicable to profit before zakat and taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Profit before zakat and taxation	**103,313**	73,186	**266,684**	9,479
Income tax at rate of 25% (2011: 25%)	**25,828**	18,297	**66,671**	2,370
Tax effects of:				
Expenses not deductible for tax purpose	**8,550**	5,730	**1,346**	832
Income not subject to tax	**(5,469)**	–	**(4,281)**	(4,245)
Effect of different tax rate of a foreign subsidiary	**–**	61	**–**	–
Utilisation of group relief allowance	**(2,506)**	(3,053)	**–**	–
Current year's deductible temporary differences and tax losses not recognised	**6,855**	1,083	**14,539**	1,043
Under/(over) accrual of tax in prior years	**6,500**	(2,017)	**3,500**	(1,716)
Tax expense/(credit)	**39,758**	20,101	**81,775**	(1,716)

11 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit attributable to owners of the Company for the financial year and the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares in the previous financial year was derived after taking into account the bonus issue of 10,696,181 new ordinary shares of RM1.00 each which was completed on 20 February 2012.

	Group	
	2012	2011
Net profit attributable to owners of the Company (RM'000)	**61,710**	52,157
Weighted average number of ordinary shares in issue ('000)	**117,674**	117,674
Basic earnings per share (sen)	**52.44**	44.32

12 DIVIDENDS

Dividends recognised in respect of the current financial year are as follows:

	Company			
	2012		2011	
	Dividend per share sen	**Amount of dividend RM'000**	Gross dividend per share sen	Amount of dividend net of tax RM'000
In respect of the financial year ended 31 December 2012:				
- First interim single tier dividend	**7.5**	**8,826**	–	–
- Second interim single tier dividend	**7.5**	**8,826**	–	–
- Third interim single tier dividend	**10.0**	**11,767**	–	–
In respect of the financial year ended 31 December 2011:				
- First interim dividend, net of 25% tax	**–**	**–**	9	7,221
- Second interim single tier dividend	**21.0**	**24,711**	–	–
	46.0	**54,130**	9	7,221

Subsequent to the end of the current financial year, the Directors have declared a fourth interim single tier dividend of 10 sen per share amounting to RM11,767,397 in respect of the financial year ended 31 December 2012. The dividend which will be paid on 27 March 2013 will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2012.

13 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 2012						
Cost	**260,920**	**75,169**	**6,111**	**188,408**	**852**	**531,460**
Accumulated depreciation	**(61,542)**	**(48,017)**	**(5,093)**	**(77,148)**	**–**	**(191,800)**
Net book value	**199,378**	**27,152**	**1,018**	**111,260**	**852**	**339,660**
At 31 December 2011						
Cost	259,123	85,224	5,521	160,377	1,180	511,425
Accumulated depreciation	(52,944)	(49,000)	(4,516)	(56,935)	–	(163,395)
Net book value	206,179	36,224	1,005	103,442	1,180	348,030
At 1 January 2011						
Cost	206,048	64,099	6,180	125,220	5,420	406,967
Accumulated depreciation	(41,439)	(42,093)	(4,687)	(39,437)	(613)	(128,269)
Net book value	164,609	22,006	1,493	85,783	4,807	278,698

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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						
Movements in net book value						
At 1 January 2012	**206,179**	**36,224**	**1,005**	**103,442**	**1,180**	**348,030**
Additions	**674**	**4,448**	**423**	**14,729**	**793**	**21,067**
Disposals	**–**	**–**	**(150)**	**(36)**	**–**	**(186)**
Written off (Note 8 (a))	**–**	**(177)**	**–**	**(38)**	**–**	**(215)**
Reclassification	**1,090**	**(5,735)**	**–**	**5,766**	**(1,121)**	**–**
Depreciation charged	**(8,481)**	**(7,311)**	**(395)**	**(12,603)**	**–**	**(28,790)**
Foreign exchange adjustments	**(84)**	**(297)**	**135**	**–**	**–**	**(246)**
At 31 December 2012	**199,378**	**27,152**	**1,018**	**111,260**	**852**	**339,660**
At 1 January 2011	164,609	22,006	1,493	85,783	4,807	278,698
Additions	35	17,817	211	11,678	67	29,808
Acquisition of a subsidiary (Note 15)	48,164	2,665	95	13,907	–	64,831
Disposals	–	(5)	(8)	–	–	(13)
Written off (Note 8 (a))	–	(5)	–	–	–	(5)
Transfer to intangible assets (Note 17)	–	–	–	–	(3,694)	(3,694)
Reclassification	–	160	–	(160)	–	–
Depreciation charged	(7,057)	(6,617)	(339)	(7,403)	–	(21,416)
Foreign exchange adjustments	428	203	(447)	(363)	–	(179)
At 31 December 2011	206,179	36,224	1,005	103,442	1,180	348,030

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold 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
Group						
Analysis of land and buildings:						
At 31 December 2012						
Cost	**25,222**	**11,478**	**113,789**	**106,641**	**3,790**	**260,920**
Accumulated depreciation	**–**	**(1,688)**	**(20,549)**	**(38,274)**	**(1,031)**	**(61,542)**
Net book value	**25,222**	**9,790**	**93,240**	**68,367**	**2,759**	**199,378**
At 31 December 2011						
Cost	25,277	11,478	113,757	104,999	3,612	259,123
Accumulated depreciation	–	(1,443)	(16,226)	(34,458)	(817)	(52,944)
Net book value	25,277	10,035	97,531	70,541	2,795	206,179
At 1 January 2011						
Cost	25,254	2,128	113,362	61,692	3,612	206,048
Accumulated depreciation	–	(406)	(12,215)	(28,080)	(738)	(41,439)
Net book value	25,254	1,722	101,147	33,612	2,874	164,609

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold 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
Group						
Analysis of land and buildings: (continued)						
Movements in net book value						
At 1 January 2012	**25,277**	**10,035**	**97,531**	**70,541**	**2,795**	**206,179**
Additions	**–**	**–**	**–**	**552**	**122**	**674**
Reclassification	**–**	**–**	**–**	**1,090**	**–**	**1,090**
Depreciation charged	**–**	**(245)**	**(4,266)**	**(3,816)**	**(154)**	**(8,481)**
Foreign exchange adjustments	**(55)**	**–**	**(25)**	**–**	**(4)**	**(84)**
At 31 December 2012	**25,222**	**9,790**	**93,240**	**68,367**	**2,759**	**199,378**
At 1 January 2011	25,254	1,722	101,147	33,612	2,874	164,609
Additions	–	–	–	35	–	35
Acquisition of a subsidiary (Note 15)	–	8,345	–	39,819	–	48,164
Depreciation charged	–	(32)	(4,009)	(2,937)	(79)	(7,057)
Foreign exchange adjustments	23	–	393	12	–	428
At 31 December 2011	25,277	10,035	97,531	70,541	2,795	206,179

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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 2012				
Cost	**18,791**	**18,432**	**37,946**	**75,169**
Accumulated depreciation	**(14,224)**	**(13,243)**	**(20,550)**	**(48,017)**
Net book value	**4,567**	**5,189**	**17,396**	**27,152**
At 31 December 2011				
Cost	18,515	16,779	49,930	85,224
Accumulated depreciation	(13,511)	(12,357)	(23,132)	(49,000)
Net book value	5,004	4,422	26,798	36,224
At 1 January 2011				
Cost	18,967	15,516	29,616	64,099
Accumulated depreciation	(13,622)	(11,513)	(16,958)	(42,093)
Net book value	5,345	4,003	12,658	22,006

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture and fittings RM'000	Renovation RM'000	Equipment RM'000	Total RM'000
Group				
Analysis of furniture, fittings, renovation and equipment: (continued)				
Movements in net book value				
At 1 January 2012	**5,004**	**4,422**	**26,798**	**36,224**
Additions	**394**	**1,797**	**2,257**	**4,448**
Written off	**(26)**	**(48)**	**(103)**	**(177)**
Reclassification	**–**	**8**	**(5,743)**	**(5,735)**
Depreciation charged	**(805)**	**(990)**	**(5,516)**	**(7,311)**
Foreign exchange adjustments	**–**	**–**	**(297)**	**(297)**
At 31 December 2012	**4,567**	**5,189**	**17,396**	**27,152**
At 1 January 2011	5,345	4,003	12,658	22,006
Additions	135	765	16,917	17,817
Acquisition of a subsidiary (Note 15)	–	–	2,665	2,665
Disposal	–	–	(5)	(5)
Written off	–	–	(5)	(5)
Reclassification	–	–	160	160
Depreciation charged	(404)	(862)	(5,351)	(6,617)
Foreign exchange adjustments	(72)	516	(241)	203
At 31 December 2011	5,004	4,422	26,798	36,224

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense of the Group of RM19,458,000 (2011: RM12,195,000) has been charged in 'cost of sales' and RM9,332,000 (2011: RM9,221,000) in 'administrative expenses'.

Property, plant and equipment under hire purchase arrangements

Net book values of property, plant and equipment held under hire purchase arrangements are as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Plant and machinery	**2,363**	3,206	–
Motor vehicles	**144**	134	97
	2,507	3,340	97

14 PREPAID LEASE PAYMENTS

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Cost	**1,689**	1,689	1,689
Accumulated amortisation	**(563)**	(512)	(461)
Net book value	**1,126**	1,177	1,228

	Group	
	2012 RM'000	2011 RM'000
Movements in net book value		
At 1 January	**1,177**	1,228
Amortisation during the financial year (Note 8(a))	**(51)**	(51)
At 31 December	**1,126**	1,177

15 INVESTMENTS IN SUBSIDIARY COMPANIES

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost	**285,554**	185,823	184,523
Add: Increase in investment in unquoted shares	**72,000**	99,731	1,300
	357,554	285,554	185,823
Less: Accumulated impairment	**(378)**	(378)	–
	357,176	285,176	185,823

Details of the subsidiary companies incorporated in Malaysia, unless otherwise stated, are as follows:

Name of company	Principal activities	Paid-up capital	Effective equity interest (%) 31.12.2012	31.12.2011
Subsidiary companies of the Company				
Idaman Pharma Manufacturing Sdn. Bhd.*	Manufacture and sale of pharmaceutical products	RM25,000,000	**100**	100
Pharmaniaga Manufacturing Berhad	Manufacture and sale of pharmaceutical products	RM10,000,000	**100**	100
Pharmaniaga LifeScience Sdn. Bhd.	Manufacture and sale of pharmaceutical products	RM75,000,000	**100**	100
Pharmaniaga Logistics Sdn. Bhd.	Distribution of pharmaceutical and medical products	RM40,000,000	**100**	100
Pharmaniaga Marketing Sdn. Bhd.	Trading and marketing of pharmaceutical and medical products	RM3,000,000	**100**	100

15 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies incorporated in Malaysia, unless otherwise stated, are as follows: (continued)

Name of company	Principal activities	Paid-up capital	Effective equity interest (%) 31.12.2012	31.12.2011
Subsidiary companies of the Company (continued)				
Pharmaniaga Research Centre Sdn. Bhd.	Conduct research and development of pharmaceutical products	RM100,000	**100**	100
Insurgress Sdn. Bhd.	Dormant	RM2	**100**	100
Pharmaniaga Pristine Sdn. Bhd. (formerly known as Safire Pharmaceuticals (M) Sdn. Bhd.)	Dormant	RM20,000,050	**100**	100
Pharmaniaga International Corporation Sdn. Bhd.	Investment holding	RM12,000,000	**100**	100
Pharmaniaga Pegasus (Seychelles) Co. Ltd. *@	Dormant	USD50,000	**100**	100
Pharmaniaga Biovention Sdn. Bhd.	Dormant	RM2	**100**	100
Subsidiary company of Pharmaniaga Logistics Sdn. Bhd.				
Pharmaniaga Biomedical Sdn. Bhd.	Supply, trading and installation of medical and hospital equipment	RM8,000,000	**100**	100

15 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies incorporated in Malaysia, unless otherwise stated, are as follows: (continued)

Name of company	Principal activities	Paid-up capital	Effective equity interest (%) 31.12.2012	31.12.2011
Subsidiary company of Pharmaniaga International Corporation Sdn. Bhd.				
PT Millennium Pharmacon International Tbk *#	Distribution and trading of pharmaceutical products, food supplements and diagnostic products in Indonesia	Rp72,800,000,000	**55**	55

* Audited by firms other than member firms of PricewaterhouseCoopers International Limited and PricewaterhouseCoopers, Malaysia

@ Incorporated in Republic of Seychelles

\# Incorporated in Indonesia

During the financial year, the Company subscribed to additional RM72,000,000 ordinary shares of RM1.00 each in Pharmaniaga LifeScience Sdn. Bhd., for a total consideration of RM72,000,000 by way of capitalisation of amounts due from the subsidiary company.

Acquisition of a subsidiary in prior financial year

On 29 December 2011, the Company completed the acquisition of Idaman Pharma Manufacturing Sdn. Bhd. ("IPMSB") representing 100% equity interest for a total cash consideration of RM99.7 million. Accordingly, IPMSB became a wholly-owned subsidiary of the Company and the Group's consolidated statement of financial position as at 31 December 2011 had incorporated the fair values of the assets and liabilities of IPMSB. Included in net consideration is a settlement of loan on behalf of IPMSB to Boustead Management Services Sdn. Bhd. amounting to RM59 million.

15 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Acquisition of a subsidiary in prior financial year (continued)

The fair values of the net assets acquired, goodwill and cash flow arising from the acquisition were as follows:

	RM'000
Property, plant and equipment	**64,831**
Inventories	**18,128**
Trade and other receivables	**32,116**
Cash and bank balances	**15,483**
Trade and other payables	**(14,507)**
Other current liabilities	**(5,259)**
Borrowings	**(5,932)**
Deferred tax liabilities (Note 30)	**(4,334)**
Fair value of net assets acquired	**100,526**
Excess of the cost of business over the Group's interest in the fair value of identifiable net assets acquired	**58,205**
Net consideration	**158,731**
Less: Cash and cash equivalents of subsidiary acquired	**(15,483)**
Less: Consideration payable to Idaman Pharma Sdn. Bhd. (Note 25)	**(48,868)**
Cash outflow of the Group on acquisition through business combination	**94,380**

The fair value of the assets and liabilities ensuing from the acquisition had been determined based on provisional fair values assigned to identifiable assets and liabilities on acquisition date. Any adjustments to these provisional fair values upon finalisation of the detailed Purchase Price Allocation exercise within 12 months of the acquisition date as permitted by MFRS 3 'Business Combinations'. The residual goodwill on acquisition represents the value of assets and earnings that do not form separable assets under MFRS 3 but nevertheless are expected to contribute to the future results of the Group. The detailed Purchase Price Allocation exercise has been completed and no adjustments were required to the provisional fair values recognised on acquisition date.

The transaction costs incurred in relation to the acquisition of IPMSB amounted to RM55,000 (31.12.2011: RM137,800, 1.1.2011: Nil).

16 INVESTMENTS IN ASSOCIATED COMPANIES

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost	**19**	19	1,970
Group's share of post acquisition profits	**–**	–	3,457
	19	19	5,427

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost	**19**	19	1,970

In the previous financial year, the Company completed the disposal of its entire equity interest of 30% in Forte Tech Solutions Sdn. Bhd., comprising 1,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM4.96 million, resulting in a loss on disposal of RM144,000 to the Group.

16 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

The Group's aggregate share of assets, liabilities, income and expenses of the associated company are as follows:

	Group	
	2012 RM'000	2011 RM'000
Results		
Revenue	**–**	13
Losses after tax	**–**	(337)
Assets		
Current assets	**19**	19

Details of the associated company is as follows:

Name of company	Principal activities	Paid-up capital	Effective equity interest (%) 31.12.2012	Effective equity interest (%) 31.12.2011
Pharmacare Asia Holdings (Cayman) Limited *+	Dormant, pending striking off	USD4,900	49	49

* Audited by firms other than member firms of PricewaterhouseCoopers International Limited and PricewaterhouseCoopers, Malaysia
\+ Incorporated in Cayman Island

17 INTANGIBLE ASSETS

	Goodwill RM'000	Project development expenditure RM'000	Brand RM'000	Software RM'000	Rights to supply RM'000	Total RM'000
Group						
Cost						
At 1 January 2012	**89,825**	**–**	**1,000**	**4,491**	**12,108**	**107,424**
Additions	**–**	**–**	**–**	**–**	**77,668**	**77,668**
Written off	**–**	**–**	**(1,000)**	**–**	**–**	**(1,000)**
Foreign exchange adjustments	**–**	**–**	**–**	**(437)**	**–**	**(437)**
At 31 December 2012	**89,825**	**–**	**–**	**4,054**	**89,776**	**183,655**
Accumulated amortisation						
At 1 January 2012	**–**	**–**	**–**	**1,067**	**371**	**1,438**
Amortisation charged	**–**	**–**	**–**	**611**	**24,601**	**25,212**
Foreign exchange adjustments	**–**	**–**	**–**	**(171)**	**–**	**(171)**
At 31 December 2012	**–**	**–**	**–**	**1,507**	**24,972**	**26,479**

17 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	Project development expenditure RM'000	Brand RM'000	Software RM'000	Rights to supply RM'000	Total RM'000
Group (continued)						
Accumulated impairment						
At 1 January 2012	**2,800**	**–**	**1,000**	**–**	**–**	**3,800**
Impairment charge for the financial year (Note8(a))	**4,853**	**–**	**–**	**–**	**–**	**4,853**
Written off	**–**	**–**	**(1,000)**	**–**	**–**	**(1,000)**
At 31 December 2012	**7,653**	**–**	**–**	**–**	**–**	**7,653**
Net book value						
At 31 December 2012	**82,172**	**–**	**–**	**2,547**	**64,804**	**149,523**
Cost						
At 1 January 2011	31,620	9,371	1,000	–	–	41,991
Additions	58,205	–	–	–	12,108	70,313
Transfer from property, plant and equipment (Note 13)	–	–	–	3,694	–	3,694
Written off	–	(9,371)	–	–	–	(9,371)
Foreign exchange adjustments	–	–	–	797	–	797
At 31 December 2011	89,825	–	1,000	4,491	12,108	107,424

17 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	Project development expenditure RM'000	Brand RM'000	Software RM'000	Rights to supply RM'000	Total RM'000
Group (continued)						
Accumulated amortisation						
At 1 January 2011	–	9,371	–	–	–	9,371
Amortisation charged	–	–	–	637	371	1,008
Written off	–	(9,371)	–	–	–	(9,371)
Foreign exchange adjustments	–	–	–	430	–	430
At 31 December 2011	–	–	–	1,067	371	1,438
Accumulated impairment						
At 1 January 2011/ At 31 December 2011	2,800	–	1,000	–	–	3,800
Net book value						
At 31 December 2011	87,025	–	–	3,424	11,737	102,186

Amortisation of RM24,601,000 (2011: RM371,000) is included in 'cost of sales' in the income statements and RM611,000 (2011: RM637,000) in 'administrative expenses'.

During the financial year, the Group has written off the cost for "Brand" relating to the total rights and ownership of the brand name and intellectual properties, marketing and formulation of a range of natural skincare and body care products under the trademark "Botanique".

On 6 January 2012, IPMSB has entered into a Novation Agreement with Idaman Pharma Sdn. Bhd. ("IPSB") and Pharmaniaga Logistics Sdn. Bhd. ("PLSB") for which IPSB will novate and transfer all its rights, benefits, liabilities and obligations under the PLSB-IPSB Supply Agreement to IPMSB for a total novation consideration of RM51.083 million. This amount has been capitalised as a rights to supply and amortised over the period of the supply agreement.

17 INTANGIBLE ASSETS (CONTINUED)

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:

	31.12.2012			31.12.2011		
	Logistics and distribution RM'000	**Manufacturing RM'000**	**Total RM'000**	Logistics and distribution RM'000	Manufacturing RM'000	Total RM'000
Malaysia	**20,901**	**58,205**	**79,106**	25,754	58,205	83,959
Indonesia	**3,066**	**–**	**3,066**	3,066	–	3,066
	23,967	**58,205**	**82,172**	28,820	58,205	87,025

Logistics and distribution

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Directors covering a three-year period.

Key assumptions used in value-in-use calculations are as follows:

	2012	2011
Growth rate[1] (%)	**10.0**	2.5
Gross margin[2] (%)	**10.0**	10.0
Discount rate[3] (%)	**10.0**	10.0
Local university projects[4] (RM'000)	**8,172**	7,800
Non-profit organisation project[5] (RM'000)	**37,000**	18,000
General hospital project[6] (RM'000)	**70,000**	124,000
Local hospital project[7] (RM'000)	**9,500**	–
Sale of medical equipment[8] (RM'000)	**32,909**	–

1 Growth rate for sales of pharmaceutical products
2 Budgeted gross margin
3 Pre-tax discount rate applied to the cash flow projections
4 Expected revenue to be generated upon securing a contract to supply and install medical equipment to two local universities
5 Expected revenue to be generated upon securing a contract to supply and install medical equipment to a local non-profit organisation
6 Expected revenue to be generated upon securing a contract to supply and install medical equipment to a general hospital

17 INTANGIBLE ASSETS (CONTINUED)

Logistics and distribution (continued)

Key assumptions used in value-in-use calculations are as follows: (continued)

[7] Expected revenue to be generated upon securing a contract supply and install medical equipment to a local hospital
[8] Expected revenue to be generated from sales of medical equipment to various local private and government institutions

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 considers that the potential economic benefits from this CGU to be insufficient and an impairment loss of RM4.853 million have been recognised for the financial year.

Management's judgment 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 contracts in which case it will result in an additional impairment loss of approximately RM5.0 million to be recognised.

Manufacturing

The key assumptions for the recoverable amounts of this CGU are management's estimates of net cash flows over 3 years based on an average growth rate of 7.9% (2011: 16.0%) and at a discount rate of 10.0% (2011: 10.0%). Management considers that the potential economic benefits from this CGU to be sufficient and no impairment loss to be recognised for the financial year. Any reasonable possible change in the key assumptions used will not result in any impairment loss.

18 INVENTORIES

		Group	
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Raw materials	**23,602**	24,072	13,365
Packaging materials	**13,679**	9,186	4,782
Work-in-progress	**4,871**	6,667	1,421
Finished goods	**422,703**	344,689	210,445
	464,855	384,614	230,013

19 TRADE RECEIVABLES

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Trade receivables	**208,308**	204,896	123,832
Less: Provision for impairment of trade receivables	**(13,415)**	(6,754)	(6,112)
	194,893	198,142	117,720
Amounts due from customers on contracts (Note 32)	**4,642**	5,442	5,742
	199,535	203,584	123,462

The credit terms of trade receivables range from 30 days to 120 days (31.12.2011: 30 days to 120 days, 1.1.2011: 30 days to 120 days).

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Neither past due nor impaired	**52,031**	122,357	25,738
Past due but not impaired:			
- Less than three months	**49,254**	54,927	69,853
- Between three to six months	**9,573**	11,500	5,532
- Between six months and one year	**68,526**	6,017	5,366
- Greater than one year	**15,509**	3,341	11,231
	142,862	75,785	91,982
Impaired:			
- Greater than one year	**13,415**	6,754	6,112
	208,308	204,896	123,832

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially government-related entities and companies with no history of default with the Group.

19 TRADE RECEIVABLES (CONTINUED)

Trade receivables that are past due but not impaired

As at 31 December 2012, trade receivables of RM142.9 million (31.12.2011: RM75.8 million, 1.1.2011: RM92.0 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.

Trade receivables that are impaired

As at 31 December 2012, trade receivables of RM13.4 million (31.12.2011: RM6.8 million, 1.1.2011: RM6.1 million) were impaired and provided for. The individually impaired receivables mainly relate to private customers, which are in unexpectedly difficult economic situations.

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

	Group	
	2012 RM'000	2011 RM'000
At 1 January	**6,754**	6,112
Provision for impairment during the financial year (Note 8(a))	**7,972**	415
Written off	**(1,311)**	–
Acquisition of a subsidiary	**–**	227
At 31 December	**13,415**	6,754

The creation and release of provision for impaired receivables have been included in "administrative 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 of credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

20 OTHER RECEIVABLES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Other receivables	**4,394**	5,687	3,806	**35**	61	70
Less: Provision for impairment of other receivables	**(2,010)**	(2,010)	(2,010)	**–**	–	–
	2,384	3,677	1,796	**35**	61	70
Prepayments	**14,397**	12,624	11,490	**108**	64	38
Deposits	**1,973**	1,687	720	**37**	28	28
	18,754	17,988	14,006	**180**	153	136

Ageing analysis of other receivables

The ageing analysis of other receivables is as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Neither past due nor impaired	**677**	2,871	971
Past due but not impaired:			
- Less than three months	**1,605**	459	85
- Between three to six months	**102**	49	32
- Between six months and one year	–	–	708
- Greater than one year	–	298	–
	1,707	806	825
Impaired:			
- Greater than one year	**2,010**	2,010	2,010
	4,394	5,687	3,806

Other receivables that are neither past due nor impaired

Other receivables that are neither past due nor impaired are substantially companies with no history of default with the Group and Company.

Other receivables of the Company of RM35,000 (31.12.2011: RM61,000, 1.1.2011: RM70,000) are neither past due nor impaired.

20 OTHER RECEIVABLES (CONTINUED)

Other receivables that are past due but not impaired

As at 31 December 2012, other receivables (excluding prepayments) of the Group amounting to RM1.7 million (31.12.2011: RM0.8 million, 1.1.2011: RM0.8 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.

Other receivables that are impaired

As at 31 December 2012, other receivables of the Group of RM2.0 million (31.12.2011: RM2.0 million, 1.1.2011: RM2.0 million) were impaired and provided for. The individually impaired receivables relate to a private customer, which is currently under dispute.

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

	Group	
	2012 RM'000	2011 RM'000
At 1 January/31 December	**2,010**	2,010

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

21 AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

(a) Amounts due from subsidiary companies

		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current			
Amount due from a subsidiary company	**92,982**	150,117	136,808
Less: Provision for impairment of amount due from a subsidiary company	**(45,922)**	–	–
Amount due from a subsidiary company-net	**47,060**	150,117	136,808

The amount due from a subsidiary company is unsecured, interest free and has no fixed terms of repayment.

21 AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES (CONTINUED)

(a) Amounts due from subsidiary companies (continued)

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Current			
Amounts due from subsidiary companies	**124,482**	90,833	27,563
Less: Provision for impairment of amounts due from subsidiary companies	**(24,131)**	(24,131)	(24,131)
Amounts due from subsidiary companies-net	**100,351**	66,702	3,432

The amounts due from subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

As at 31 December 2012, the amounts due from subsidiary companies of RM70.0 million (31.12.2011: RM24.1 million, 1.1.2011: RM24.1 million) were impaired and provided for. The individually impaired receivable relate to subsidiary companies, for which there are no expectation of recovery. The remaining balances of RM147.4 million (31.12.2011: RM216.8 million, 1.1.2011: RM140.2 million) were not impaired as there is no expectation of default based on expected future operational cash flows of these subsidiary companies.

(b) Amounts due to subsidiary companies

The amounts due to subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

22 AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest free and have no fixed terms of repayment.

23 DEPOSITS, CASH AND BANK BALANCES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Cash and bank balances	**30,034**	32,654	25,216	**444**	360	836
Deposits with licensed banks	**4,519**	22,421	77,761	**–**	–	–
	34,553	55,075	102,977	**444**	360	836

23 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

Deposits with licensed banks of the Group as at the end of financial year have an average maturity period of 3 (31.12.2011: 3, 1.1.2011:17) days and a weighted average effective interest rate of 2.95% (31.12.2011: 2.98%, 1.1.2011: 2.55%) per annum.

Cash and bank balances are deposits held at call with banks and earn no interest.

24 TRADE PAYABLES

The credit terms of trade payables granted to the Group range from 30 days to 120 days (31.12.2011: 30 days to 120 days, 1.1.2011: 30 days to 120 days).

25 OTHER PAYABLES

		Group			Company	
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Other payables	**46,430**	71,630	18,061	**2,227**	49,781	215
Accruals	**24,907**	24,877	6,591	**1,629**	664	485
	71,337	96,507	24,652	**3,856**	50,445	700

As at 31 December 2012, other payables of the Group included the remaining novation consideration payable to IPSB amounting to RM21.1 million pursuant to the Novation Agreement between IPMSB, IPSB and PLSB.

Included in other payables of the Group in the previous financial year was the consideration payable to IPSB of RM48.9 million for the acquisition of 49% equity interest in IPMSB (Note 15). This amount has been fully settled in the current financial year.

Also included in other payables of the Group are government grants relating to Kacip Fatimah project amounting to RM28,000 (31.12.2011: RM337,000, 1.1.2011: RM459,000).

The movements of government grants during the financial year are as follows:

	Group	
	2012 RM'000	2011 RM'000
At 1 January	**337**	459
Utilisation during the financial year (Note 8(b))	**(309)**	(122)
At 31 December	**28**	337

26 AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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

27 LOANS AND BORROWINGS

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Current						
Unsecured:						
- Bankers' acceptances	**149,518**	100,892	–	**–**	–	–
- Revolving credits	**155,000**	50,000	–	**120,000**	50,000	–
- Foreign time loan	**36,393**	37,305	33,050	**–**	–	–
	340,911	188,197	33,050	**120,000**	50,000	–
Secured:						
- Hire purchase	**66**	21	17	**–**	–	–
	340,977	188,218	33,067	**120,000**	50,000	–
Non-current						
Secured:						
- Hire purchase	**72**	102	59	**–**	–	–
	72	102	59	**–**	–	–
Total						
Bankers' acceptances	**149,518**	100,892	–	**–**	–	–
Revolving credits	**155,000**	50,000	–	**120,000**	50,000	–
Foreign time loan	**36,393**	37,305	33,050	**–**	–	–
Hire purchase	**138**	123	76	**–**	–	–
	341,049	188,320	33,126	**120,000**	50,000	–

27 LOANS AND BORROWINGS (CONTINUED)

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Hire purchase liabilities						
Minimum payments:						
- Payable within 1 year	**78**	27	17	**–**	–	–
- Payable between 1 and 5 years	**74**	109	77	**–**	–	–
	152	136	94	**–**	–	–
Less: Future finance charges	**(14)**	(13)	(18)	**–**	–	–
Present value of liabilities	**138**	123	76	**–**	–	–

Hire purchase liabilities are effectively secured on the rights to the leased assets which reverts to the lessors in the event of default.

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

	Effective interest rate at year end % per annum	Fixed interest rate RM'000	Floating interest rate RM'000	Repayment terms <1 year RM'000	>1 year RM'000	Total carrying amount RM'000
Group						
At 31.12.2012						
Bankers' acceptances	**3.15**	**149,518**	**–**	**149,518**	**–**	**149,518**
Revolving credits	**3.62**	**155,000**	**–**	**155,000**	**–**	**155,000**
Foreign time loan*	**9.05**	**–**	**36,393**	**36,393**	**–**	**36,393**
Hire purchase	**11.03**	**138**	**–**	**66**	**72**	**138**
		304,656	**36,393**	**340,977**	**72**	**341,049**

27 LOANS AND BORROWINGS (CONTINUED)

	Effective interest rate at year end % per annum	Fixed interest rate RM'000	Floating interest rate RM'000	Repayment terms <1 year RM'000	Repayment terms >1 year RM'000	Total carrying amount RM'000
Group (continued)						
At 31.12.2011						
Bankers' acceptances	3.30	100,892	–	100,892	–	100,892
Revolving credits	4.80	50,000	–	50,000	–	50,000
Foreign time loan*	10.40	–	37,305	37,305	–	37,305
Hire purchase	11.03	123	–	21	102	123
		151,015	37,305	188,218	102	188,320
At 1.1.2011						
Foreign time loan*	10.40	–	33,050	33,050	–	33,050
Hire purchase	11.03	76	–	17	59	76
		76	33,050	33,067	59	33,126
Company						
At 31.12.2012						
Revolving credits	**4.68**	**120,000**	**–**	**120,000**	**–**	**120,000**
At 31.12.2011						
Revolving credits	4.80	50,000	–	50,000	–	50,000

* Functional currency/currency exposure in Indonesian Rupiah (IDR)

27 LOANS AND BORROWINGS (CONTINUED)

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Ringgit Malaysia	**304,619**	150,996	–	**120,000**	50,000	–
Indonesian Rupiah	**36,430**	37,324	33,126	**–**	–	–
	341,049	188,320	33,126	**120,000**	50,000	–

<u>Foreign time loan</u>

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 9.75% (31.12.2011: 10.40%, 1.1.2011: 10.40%) per annum.

28 SHARE CAPITAL

	Group and Company	
	2012 **RM'000**	2011 RM'000
Ordinary shares of RM1 each:		
Authorised:		
At beginning and end of the financial year	**300,000**	300,000
Issued and fully paid:		
At 1 January	**106,978**	106,978
Issuance of shares	**10,696**	–
At 31 December	**117,674**	106,978

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM106,977,788 to RM117,673,969 by way of the bonus issue of 10,696,181 new ordinary shares of RM1.00 each to be credited as fully paid-up on the basis of one (1) bonus share for every ten (10) existing shares held via capitalisation of share premium account amounting to RM10,696,181 to address the public spread shareholding requirement of the Company.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

29 RETAINED EARNINGS

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes.

Under this system, all of the Company's retained earnings are distributable by way of single tier dividends and the dividend distributable to shareholders from the Company's profit will be exempted from tax.

Subject to the agreement by the Inland Revenue Board, the Company has tax exempt income to frank the payment of tax exempt dividends up to RM1,666,574 (31.12.2011: RM1,666,574, 1.1.2011: RM1,666,574).

30 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 statements of financial position:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deferred tax assets:			
- Deferred tax assets to be recovered after more than 12 months	**209**	970	1,619
- Deferred tax assets to be recovered within 12 months	**8,928**	11,337	9,326
	9,137	12,307	10,945
Deferred tax liabilities:			
- Deferred tax liabilities to be recovered after more than 12 months	**(3,654)**	(3,811)	(996)
- Deferred tax liabilities to be recovered within 12 months	**(1,483)**	(1,240)	(534)
	(5,137)	(5,051)	(1,530)
Deferred tax assets (net)	**4,000**	7,256	9,415

30 DEFERRED TAXATION (CONTINUED)

	Group	
	2012 RM'000	2011 RM'000
At beginning of financial year	**7,256**	9,415
Acquisition of a subsidiary (Note 15)	**–**	(4,334)
(Charged)/credited to income statement (Note 10):		
- property, plant and equipment	**(8,745)**	422
- provisions	**6,370**	1,753
- unutilised tax losses	**(881)**	–
	(3,256)	2,175
At end of financial year	**4,000**	7,256

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<u>Subject to income tax</u>			
Deferred tax assets (before offsetting):			
- property, plant and equipment	**3**	–	67
- provisions	**17,658**	11,288	9,535
- unutilised tax losses	**477**	1,358	1,358
	18,138	12,646	10,960
Offsetting	**(9,001)**	(339)	(15)
Deferred tax assets (after offsetting)	**9,137**	12,307	10,945
Deferred tax liabilities (before offsetting):			
- property, plant and equipment	**(14,138)**	(5,390)	(1,545)
Offsetting	**9,001**	339	15
Deferred tax liabilities (after offsetting)	**(5,137)**	(5,051)	(1,530)

30 DEFERRED TAXATION (CONTINUED)

The amounts of unutilised tax losses, unabsorbed capital allowances and deductible temporary differences (all which have no expiry) for which no deferred tax asset is recognised in the Group and in the Company's financial statements are as follows:

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Unutilised tax losses	**109,221**	88,954	103,519	**37,646**	26,927	25,387
Unabsorbed capital allowances	**5,083**	494	84	**–**	–	–
Deductible temporary differences	**10,544**	7,982	1,428	**47,458**	22	20
	124,848	97,430	105,031	**85,104**	26,949	25,407
Deferred tax assets not recognised at 25%	**31,212**	24,358	26,258	**21,276**	6,737	6,352

31 PROVISION FOR DEFINED BENEFIT PLAN

The subsidiary in Indonesia operates an unfunded defined benefit scheme for its employees based on the provisions of Labor Law No. 13/2003. The latest actuarial valuation of the plan was carried out on 19 December 2012.

The amounts of unfunded defined benefit recognised in the statements of financial position of the Group are determined as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Present value of unfunded defined benefit obligations	**6,036**	5,493	3,598
Analysed as:			
Non-current	**6,036**	5,493	3,598

	Group	
	2012 RM'000	2011 RM'000
Actuarial (gains)/losses recognised in the statements of of comprehensive income	**(56)**	1,207
Cumulative actuarial losses recognised in the statements of comprehensive income	**1,574**	1,630

The movements during the financial year in the amounts recognised in the statements of financial position of the Group are as follows:

	Group	
	2012 RM'000	2011 RM'000
At 1 January	**5,493**	3,598
Charged to income statement	**1,129**	748
Contributions paid during the financial year	**(134)**	(226)
Recognition of actuarial (gains)/losses	**(56)**	1,207
Foreign exchange adjustments	**(396)**	166
At 31 December	**6,036**	5,493

31 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The amounts recognised in the income statement are as follows:

	Group	
	2012 RM'000	2011 RM'000
Current service cost	**797**	443
Interest cost	**332**	305
Total included in employee benefit expenses (Note 9)	**1,129**	748

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

	Group		
	31.12.2012 %	31.12.2011 %	1.1.2011 %
Discount rate	**6.0**	6.5	9.0
Expected rate of salary increase	**7.0**	7.0	7.0

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Present value of unfunded defined benefit obligation	**6,036**	5,493	3,598

There are no experience adjustments on plan assets and plan liabilities for the current and previous financial year.

32 AMOUNTS DUE FROM CUSTOMERS ON CONTRACTS

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Aggregate costs incurred to-date	**37,828**	39,838	33,700
Add: Attributable profits	**8,096**	6,463	5,608
	45,924	46,301	39,308
Less: Progress billings	**(41,282)**	(40,859)	(33,566)
Amounts due from customers (Note 19)	**4,642**	5,442	5,742

	Group	
	2012 RM'000	2011 RM'000
Contract revenue recognised during the financial year (Note 5)	**45,385**	5,792
Contract costs recognised as expense during the financial year (Note 6)	**43,473**	4,207

33 SEGMENTAL REPORTING

The Board of Directors is the Group's chief operating decision maker. Performance is measured based on segment's profit before interest and tax as management believes that such information is most relevant in evaluating the results of the segments.

For management purposes, the Group's business is organised into the following business segments according to the internal reporting structure:

Business segment	**Business activity**
Logistics and distribution	Distribution of pharmaceutical and medical products as well as supply and installation of medical and hospital equipment
Manufacturing	Manufacturing of pharmaceutical products

Inter-segment transactions are based on arm's length basis under terms, conditions and policies not materially different from transactions with unrelated parties. These transactions 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.

33 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2012				
Revenue				
External sales	**1,776,847**	**35,499**	**–**	**1,812,346**
Inter-segment sales	**5,099**	**294,937**	**(300,036)**	**–**
Total revenue	**1,781,946**	**330,436**	**(300,036)**	**1,812,346**
Results				
Segment results	**70,579**	**76,525**	**(29,424)**	**117,680**
Finance costs	**(14,182)**	**(4,155)**	**3,378**	**(14,959)**
Interest income	**4,135**	**15**	**(3,558)**	**592**
Profit before zakat and taxation	**60,532**	**72,385**	**(29,604)**	**103,313**
Taxation				**(39,758)**
Zakat				**(350)**
Net profit for the financial year				**63,205**

33 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2012				
Other information				
Segment assets	**1,759,412**	**659,798**	**(1,196,403)**	**1,222,807**
Investment in an associated company	**19**	**–**	**–**	**19**
Total assets	**1,759,431**	**659,798**	**(1,196,403)**	**1,222,826**
Segment liabilities	**1,254,107**	**395,062**	**(914,196)**	**734,973**
Capital expenditure on property, plant and equipment and intangible assets	**31,571**	**67,164**	**–**	**98,735**
Impairment of goodwill in a subsidiary company	**4,853**	**–**	**–**	**4,853**
Depreciation of property, plant and equipment	**7,344**	**20,738**	**708**	**28,790**
Amortisation of prepaid lease payments	**51**	**–**	**–**	**51**
Amortisation of intangible assets	**4,314**	**20,898**	**–**	**25,212**
Non–cash expenses other than depreciation and amortisation	**14,744**	**1,504**	**–**	**16,248**

33 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2011				
Revenue				
External sales	1,519,949	1,032	–	1,520,981
Inter-segment sales	1,154	134,915	(136,069)	–
Total revenue	1,521,103	135,947	(136,069)	1,520,981
Results				
Segment results	62,927	9,221	4,591	76,739
Finance costs	(4,164)	–	–	(4,164)
Interest income	948	–	–	948
Share of results from associated company	(337)	–	–	(337)
Profit before zakat and taxation	59,374	9,221	4,591	73,186
Taxation				(20,101)
Zakat				(300)
Net profit for the financial year				52,785

33 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Elimination RM'000	Total RM'000
Group				
2011				
Other information				
Segment assets	1,422,677	452,121	(741,342)	1,133,456
Investment in associated companies	19	–	–	19
Total assets	1,422,696	452,121	(741,342)	1,133,475
Segment liabilities	1,030,326	240,329	(618,857)	651,798
Capital expenditure on property, plant and equipment and intangible assets	86,696	13,425	–	100,121
Depreciation of property, plant and equipment	6,238	15,076	102	21,416
Amortisation of prepaid lease payments	51	–	–	51
Amortisation of intangible assets	1,008	–	–	1,008
Non-cash expenses other than depreciation and amortisation	11,490	1,863	3,118	16,471

33 SEGMENTAL REPORTING (CONTINUED)

(b) Geographical information

	Revenue from external customers RM'000	Total non-current assets RM'000
Geographical markets		
2012		
Malaysia	**1,410,543**	**485,424**
Indonesia	**389,809**	**4,904**
Other countries	**11,994**	**–**
	1,812,346	**490,328**
2011		
Malaysia	1,171,781	445,126
Indonesia	336,657	6,286
Other countries	12,543	–
	1,520,981	451,412

Revenue is based on the country in which the customer is located. Total segment assets and capital expenditure and intangible assets acquired during the financial year are determined based on where the assets are located.

Non-current assets information presented above consists of non-current assets other than financial instruments and deferred tax assets as presented in the consolidated statement of financial position.

Revenues of approximately RM1.3 billion (2011: RM1.1 billion) are derived from a single external customer. These revenues are attributable to Logistics and distribution and Manufacturing segments. The single external customer with revenue equal or more than 10% of the Group's total revenue is as disclosed in Note 36(g).

34 CAPITAL COMMITMENTS

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

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Authorised and contracted for:			
- acquisition of property, plant and equipment	**12,528**	5,695	9,011
Authorised but not contracted for:			
- acquisition of property, plant and equipment	**5,316**	19,719	2,237

35 CONTINGENT LIABILITIES – UNSECURED

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Bank performance and reimbursement bonds for concession business undertaken by a subsidiary company	**45,000**	45,000	45,000
Bank guarantees for projects and utilities undertaken by subsidiary companies	**26,483**	22,127	22,528

36 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.

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
(a) Immediate holding company				
• Management fees	**376**	182	**268**	216

	Group	
	2012 RM'000	2011 RM'000
(b) Subsidiaries of the immediate holding company		
• Travelling and accommodation	**1,558**	626
• Corporate and administrative support services	**807**	323
• Rental of warehousing facilities	**1,093**	182
• Provision of warehousing services	**1,112**	112
(c) Related parties by way of common directors		
• Purchase of pharmaceuticals products	**88,446**	43,230
• Consultant fees	**28**	180

	Company	
	2012 RM'000	2011 RM'000
(d) Subsidiary companies		
• Interest income on advances to subsidiary companies	**3,556**	–
• Dividend income from subsidiary companies	**321,850**	14,000
• Management fees charged to subsidiary companies	**8,375**	4,623
(e) Payment of expenses made on behalf:		
• by subsidiaries	**6,726**	1,343
• for subsidiaries	**(24,259)**	(1,175)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Remuneration of key management personnel

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Salaries, bonuses and allowances	**3,577**	2,839	**3,577**	2,839
Social contribution cost	**3**	3	**3**	3
Defined contribution plan	**457**	377	**457**	377
Estimated monetary value of benefits by way of usage of Group assets	**30**	17	**30**	17
Fee	**9**	–	**–**	–
Others	**124**	122	**124**	122
	4,200	3,358	**4,191**	3,358

Key management personnel comprise the Managing Director and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(g) Government-related entities

The Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are related parties of the Group by virtue of LTAT being a body corporate controlled by the Government of Malaysia.

On 16 March 2011, Pharmaniaga Logistics Sdn Bhd ("PLSB"), a wholly-owned subsidiary has entered into a Concession Agreement with the Government of Malaysia represented by the Ministry of Health, Malaysia ("MOH") for a period of ten (10) years expiring on 30 November 2019, for the right and authority to purchase, store, supply and distribute the Approved Products (i.e. drugs and non-drugs approved by MOH) to the Public Sector Customers (i.e. government hospital, health office, health clinic, dental clinic, or any health institution or other similar facility within Malaysia which is operated and controlled by the MOH and as determined by the MOH from time to time).

	Group	
	2012 RM'000	2011 RM'000
Sale of goods to MOH	**1,311,338**	1,125,581

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Government-related entities (continued)

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amount due from MOH	**38,144**	15,980	31,343

(h) Significant outstanding balances

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Amounts due from						
Subsidiary companies	**–**	–	–	**147,411**	216,819	140,240
Amounts due to						
Immediate holding company	**179**	223	–	**155**	223	–
Subsidiary companies	**–**	–	–	**255,351**	238,480	162,178
Related companies	**2,612**	3,307	–	**38**	57	–

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

37 SIGNIFICANT EVENTS

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

(a) On 20 February 2012, the Company completed the issuance of Bonus Shares comprising 10,696,181 new ordinary shares of RM1.00 each to address the public spread shareholding requirement of the Company.

(b) On 6 January 2012, Pharmaniaga Logistics Sdn Bhd ("PLSB") entered into a Novation Agreement with IPMSB and IPSB. In accordance with the Novation Agreement, IPSB will novate and transfer all its rights, benefits, liabilities and obligations under the PLSB-IPSB Supply Agreement for the period from 1 February 2011 to 31 January 2014 to IPMSB for a novation consideration of RM51.083 million. IPMSB will be bound by the terms of PLSB-IPSB Supply Agreement in every way as if IPMSB were a party to the said agreement instead of IPSB.

The novation was completed on 23 March 2012 when approval by the Ministry of Finance was obtained for the effective and valid transfer of the Adoption Scheme status from IPSB to IPMSB.

(c) On 18 February 2013, the Company has proposed a share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each ("subdivided shares") ("Proposed share split"). Following the Proposed share split, the Board has also proposed a bonus issue of 23,534,794 new subdivided shares on the basis of one (1) bonus share for every ten (10) subdivided shares held.

38 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange 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 currency exchange risk

The Group operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign currency exchange risk arises form current commercial transactions, recognised assets and liabilities.

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (contiued)

(a) Market risk (continued)

(i) Foreign currency exchange risk (continued)

To manage the foreign exchange risk causing from future commercial transactions and recognised assets and liabilities, the Group enters into contracts in Ringgit Malaysia denomination, where possible. Foreign currency exchange risk arises when current 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 2012, 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 RM148,000 (31.12.2011: RM26,000, 1.1.2011: RM73,000) higher/lower on translation upon consolidation. No impact to income statement as the financial assets and liabilities denominated in IDR are in respect of a foreign subsidiary where trade is conducted in the entity's functional currency.

As at 31 December 2012, if the functional currency had weakened/strengthened by 5% against US Dollar with all other variables held constant, post tax profit for the financial year would have been RM122,000 (31.12.2011: RM17,000, 1.1.2011: RM37,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of US Dollar - denominated trade payables, other payables, trade receivables and deposits, cash and bank balances.

As at 31 December 2012, if the functional currency had weakened/strengthened by 5% against Euro with all other variables held constant, post tax profit for the financial year would have been RM20,000 (31.12.2011: RM32,000, 1.1.2011: RM13,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of Euro - denominated trade payables.

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 31.12.2012	
	US Dollar RM'000	**Euro RM'000**
Trade receivables	**1,633**	**–**
Deposits, cash and bank balances	**205**	**–**
Trade payables	**(1,395)**	**(402)**
Other payables	**(1,374)**	**–**
	(931)	**(402)**

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (contiued)

(a) Market risk (continued)

(i) Foreign currency exchange risk (continued)

	Currency exposure at 31.12.2011	
	US Dollar RM'000	Euro RM'000
Trade receivables	2,576	–
Deposits, cash and bank balances	596	–
Trade payables	(2,436)	(631)
	736	(631)

	Currency exposure at 1.1.2011	
	US Dollar RM'000	Euro RM'000
Trade receivables	2,613	–
Deposits, cash and bank balances	382	–
Trade payables	(2,276)	(271)
	719	(271)

(ii) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest bearing assets are primarily short term bank deposits with financial institutions. The interest rates on these deposits are monitored closely to ensure they are maintained at favourable rates. The Group considers the risk of significant changes to interest rates on deposits to be unlikely.

Interest rate exposure arises from the Group's borrowings. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings.

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (contiued)

(a) Market risk (continued)

(ii) Cash flow interest rate risk (continued)

As at 31 December 2012, if interest rates on Ringgit Malaysia - denominated borrowings of the Group and Company had been 50 basis points lower/higher with all other variables held constant, post-tax profit for the financial year of the Group and the Company would have been RM1,158,000 (31.12.2011: RM31,000, 1.1.2011: RM42,000) and RM774,000 (31.12.2011: RM2,000, 1.1.2011: RM42,000) higher/lower respectively, mainly as a result of lower/higher interest expense.

As at 31 December 2012, if interest rates on Indonesian Rupiah - denominated borrowings of the Group had been 50 basis points lower/higher with all other variables held constant, post-tax profit for the financial year of the Group would have been RM183,000 (31.12.2011: RM185,000, 1.1.2011: RM146,000) higher/lower respectively, mainly as a result of lower/higher interest expense on floating rate borrowings.

The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

(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 refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from credit exposures to customers, including outstanding receivables, as well as deposits, cash and bank balances.

For trade and other receivables, 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.

The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the statement of financial position after deducting any impairment allowance. See Notes 19 and 20 for further disclosure on credit risk.

Credit quality of financial assets

Information regarding credit quality of trade and other receivables is disclosed in Notes 19 and 20 respectively. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(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 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 statement of financial position ratio targets and, if applicable external regulatory or legal requirements.

The table below analyses the Group and the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting 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	More than 2 years RM'000
Group				
At 31 December 2012				
Financial assets				
Trade receivables	**199,535**	**–**	**–**	**–**
Other receivables	**4,357**	**–**	**–**	**–**
Deposits, cash and bank balances	**34,553**	**–**	**–**	**–**
Financial liabilities				
Loans and borrowings	**11**	**340,966**	**72**	**–**
Trade payables	**306,162**	**–**	**–**	**–**
Other payables	**71,337**	**–**	**–**	**–**
Amount due to immediate holding company	**179**	**–**	**–**	**–**
Amounts due to related companies	**2,612**	**–**	**–**	**–**

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 3 months RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	More than 2 years RM'000
Group (continued)				
At 31 December 2011				
Financial assets				
Trade receivables	203,584	–	–	–
Other receivables	5,364	–	–	–
Deposits, cash and bank balances	55,075	–	–	–
Financial liabilities				
Loans and borrowings	11	188,207	102	–
Trade payables	340,834	–	–	–
Other payables	96,507	–	–	–
Amount due to immediate holding company	223	–	–	–
Amounts due to related companies	3,307	–	–	–
Dividend payable	7,221	–	–	–
At 1 January 2011				
Financial assets				
Trade receivables	123,462	–	–	–
Other receivables	2,516	–	–	–
Deposits, cash and bank balances	102,977	–	–	–
Financial liabilities				
Loans and borrowings	–	33,067	59	–
Trade payables	300,496	–	–	–
Other payables	24,652	–	–	–
Company				
At 31 December 2012				
Financial assets				
Other receivables	**72**	**–**	**–**	**–**
Deposits, cash and bank balances	**444**	**–**	**–**	**–**
Amounts due from subsidiary companies	**100,351**	**–**	**–**	**47,060**
Dividend receivable	**175,050**	**–**	**–**	**–**

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 3 months RM'000	Between 3 months and 1 year RM'000	Between 1 and 2 years RM'000	More than 2 years RM'000
Company (continued)				
At 31 December 2012 (continued)				
Financial liabilities				
Loans and borrowings	**120,000**	**–**	**–**	**–**
Other payables	**3,856**	**–**	**–**	**–**
Amount due to immediate holding company	**155**	**–**	**–**	**–**
Amounts due to subsidiary companies	**255,351**	**–**	**–**	**–**
Amounts due to related companies	**38**	**–**	**–**	**–**
At 31 December 2011				
Financial assets				
Other receivables	89	–	–	–
Deposits, cash and bank balances	360	–	–	–
Amounts due from subsidiary companies	66,702	–	–	150,117
Dividend receivable	10,500	–	–	–
Financial liabilities				
Loans and borrowings	50,000	–	–	–
Other payables	50,445	–	–	–
Amount due to immediate holding company	223	–	–	–
Amounts due to subsidiary companies	238,480	–	–	–
Amounts due to related companies	57	–	–	–
Dividend payable	7,221	–	–	–
At 1 January 2011				
Financial assets				
Other receivables	98	–	–	–
Deposits, cash and bank balances	836	–	–	–
Amounts due from subsidiary companies	3,432	–	–	136,808
Financial liabilities				
Other payables	700	–	–	–
Amounts due to subsidiary companies	162,178	–	–	–

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total loans and borrowings divided by the total capital.

The gearing ratios are as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Total loans and borrowings (Note 27)	**341,049**	188,320	33,126
Total equity	**487,853**	481,677	437,050
Gearing ratio (times)	**0.7**	0.4	0.1

Under the terms of its borrowing facilities undertaken during the financial year, the Group is required to comply with the following financial covenants:

- The ratio of net debt to tangible net worth is to be no more than 1.0 time during the entire tenure of the borrowing facility;
- The ratio of net debt to earnings before interest, tax, depreciation and amortisation ("EBITDA") is to be no more than 3 to 1; and
- The ratio of EBITDA to interest expense is to be no less than 5 to 1.

Tangible net worth is defined as the Company's issued and paid up capital, retained earnings and subordinated shareholders' advances.

The Group has complied with these financial covenants for 2012.

Fair value estimation

The carrying values of financial assets and financial liabilities of the Group and of the Company at the reporting date approximated their fair values.

39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 February 2013.

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.

	Group			**Company**		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Total retained profits of the Company and its subsidiaries:						
- realised profits	**418,077**	412,256	345,589	**171,455**	40,676	36,702
- unrealised profits	**2,941**	486	9,415	**–**	–	–
	421,018	412,742	355,004	**171,455**	40,676	36,702
Total share of retained profits from associated companies:						
- realised profits	**–**	–	3,004	**–**	–	–
	421,018	412,742	358,008	**171,455**	40,676	36,702
Less: Consolidation adjustments	**(77,367)**	(78,032)	(65,822)	**–**	–	–
Total retained profits	**343,651**	334,710	292,186	**171,455**	40,676	36,702

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.

ADDITIONAL DISCLOSURE

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds received during the current financial year.

2. SHARE BUY BACKS DURING THE FINANCIAL YEAR

The Company did not carry out any share buy back exercises during the financial year ended 31 December 2012.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2012.

4. AMERICAN DEPOSITORY RECEIPTS (ADR)/GLOBAL DEPOSITORY RECEIPT (GDR)

The Company has not sponsored any ADR/GDR programme during the financial year ended 31 December 2012.

5. VARIATION IN RESULT

There was no profit estimation, forecast and projection made or released by the Company during the financial year ended 31 December 2012.

6. PROFIT GUARANTEE

There was no profit guarantee given by the Company and its Subsidiaries during the financial year ended 31 December 2012.

7. MATERIAL CONTRACTS

There were no material contracts which had been entered into by the Group involving the interests of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2012 or entered into since the end of the previous financial year.

PHARMANIAGA GROUP PROPERTY LIST

As At 31 December 2012

Location and address of property	Brief description and existing use	Area Building / Land (sq metres)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2012 (RM'000)	Date of Revaluation / Acquisition
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 and an inflammable store	23,594	Freehold	18	27,874	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	15	14,896	14 March 2005
Geran 44309 of Lot 7 of Mukim Pekan Puchong Perdana and District of Petaling Selangor Industrial Premises: No 7, Jalan PPU 3, Taman Perindustrian Puchong, 47100 Puchong, Selangor	An industrial land with a main 2-storey detached factory industrial building with a 3-storey office/laboratory section at the back and a single storey warehouse section at the front, a cafeteria/surau building, a fire pump room/cold water pump room, an inflammable store/refuse chamber and a guard house.	28,041	Freehold	12	64,646	21 August 2001

Location and address of property	Brief description and existing use	Area Building / Land (sq metres)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2012 (RM'000)	Date of Revaluation / Acquisition
Lot PT 1157, H.S. (M) 9726 Mukim of Kajang, Hulu Langat Selangor Factory: No 11A, Jalan P/1 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor	A parcel of industrial land with 3 industrial buildings, an office/workshop, a canteen, a TNB sub-station and a guard house	12,141	Leasehold of 99 years, expiring on 29 September 2086	27	22,985	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	16	6,914	3 November 2004
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	10/36	3,851	21 January 2002

PHARMANIAGA GROUP PROPERTY LIST

As At 31 December 2012

Location and address of property	Brief description and existing use	Area Building / Land (sq metres)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2012 (RM'000)	Date of Revaluation / Acquisition
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 Industrial Premises: Nos. 1, 3 & 5 Lorong IKS Juru 8 Taman Perindustrian Ringan Juru, 14100 Seberang Perai Pulau Pinang	3 contiguous 1 $^1/_2$ semi detached warehouse with office	2,175	Freehold	15	1,145	11 November 1998
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	19	4	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-bedroom flat for staff lodging	262	Leasehold of 99 years, expiring on 31 March 2095	17	*0	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	26	*0	4 September 1987

* below RM500

Location and address of property	Brief description and existing use	Area Building / Land (sq metres)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2012 (RM'000)	Date of Revaluation / Acquisition
Lot PR 10911, H.S. (M) 9127 Mukim of Kajang Hulu Langat Selangor House: No 11, 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	26	1	4 September 1987
Lot 0111111, No. HM. 144/1977 & Lot PT 0000102, No. HM 237/1984 Mukim Sungai Pasir, Sungai Petani, Kedah Darul Aman. Factory: Lot 24 & 25, Jalan Perusahaan Lapan, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah Darul Aman.	A parcel of industrial land with a 2-storey office, guard house, manufacturing block, warehouse block, flammable store, purified water system and waste water treatment.	Building 11,256 Land 40,469	Leasehold of 99 years, expiring on 1 January 2083	35	14,640	6 March 2005
Lot 276, 277 & 278, District of Mukim of Bandar Seri Iskandar, Perak Tengah, Perak Factory: Lot 120, Taman Farmaseutikal 32610 Bandar Seri Iskandar, Perak	A parcel of building land built upon a defected industrial building with a 2 – storey office building, prayer room, canteen and warehouse penicillin & non penicillin production plant buildings, laboratory buildings, a chiller plant building, boiler house & TNB sub-station and a guard house.	Building 1,029 Land 60,754	Leasehold of 99 years, expiring on 13 March 2100	16	29,744	1 June 2009

PHARMANIAGA GROUP PROPERTY LIST
As At 31 December 2012

Location and address of property	Brief description and existing use	Area Building / Land (sq metres)	Tenure and Year of Expiry	Age of Building / Land (Years)	Net Book Value as at 31/12/2012 (RM'000)	Date of Revaluation / Acquisition
Blok D. 20 & 21 Ruko Grand Mal Bekasi	Shop lots	Building 453 Land 136	Freehold 15 years to 24 September 2013	10	101	13 October 2003
Jalan Depsos 67 – 70 Bintaro Jaksel	Office and warehouse	Building 965 Land 1,860	Freehold 30 years to 7 July 2028	13	945	14 January 1999 Revaluation 2001
Jalan Kalibokor Selatan 152 Surabaya	Office and warehouse	Building 820 Land 1,133	Leasehold 5 years to 30 June 2011 (in progress to extend)	31	84	4 November 1971 Revaluation 2001

ANALYSIS OF SHAREHOLDINGS

As At 31 January 2013

SHARE CAPITAL

Authorised Share Capital	:	RM300,000,000.00
Issued and Paid-Up Share Capital	:	RM117,673,969.00 divided into 117,673,969 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 Shareholdings	No. of Shares Held	% of Issued Share Capital
Less than 100	631	12.238	19,485	0.017
100 to 1,000	2,680	51.978	942,981	0.801
1,001 to 10,000	1,584	30.722	4,330,700	3.680
10,001 to 100,000	211	4.092	6,112,370	5.194
100,001 to less than 5% of Issued Shares	48	0.931	25,304,388	21.504
5% and above of Issued Shares	2	0.039	80,964,045	68.804
TOTAL	**5,156**	**100.000**	**117,673,969**	**100.000**

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1	BOUSTEAD HOLDINGS BERHAD Account Non-Trading	66,413,825	56.438
2	LEMBAGA TABUNG ANGKATAN TENTERA	14,550,220	12.364
3	CHE LODIN BIN WOK KAMARUDDIN	4,264,926	3.624
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Exempt An For American International Assurance Berhad	4,234,828	3.598
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Kumpulan Wang Persaraan (DIPERBADANKAN) (CIMB Equities)	3,206,674	2.725

ANALYSIS OF SHAREHOLDINGS
As At 31 January 2013

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
6	SCOTIA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Che Lodin Bin Wok Kamaruddin	1,401,104	1.190
7	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) Trustee Bhd For Pertubuhan Keselamatan Sosial (CIMB-P 6939-404)	1,089,100	0.925
8	DASAR TECHNOLOGIES SDN BHD	1,000,000	0.849
9	AMANAHRAYA TRUSTEES BERHAD Affin Quantum Fund	814,900	0.692
10	AMANAHRAYA TRUSTEES BERHAD Affin Islamic Equity Fund	516,200	0.438
11	KOK CHEW LENG	460,000	0.390
12	FARSHILA BINTI EMRAN	420,000	0.356
13	CHINCHOO INVESTMENT SDN.BERHAD	415,068	0.352
14	YONG SIEW YOON	368,802	0.313
15	AMANAHRAYA TRUSTEES BERHAD Affin Select Growth Fund	362,500	0.308
16	TAN BENG GUAN	351,000	0.298
17	CIMB ISLAMIC TRUSTEE BERHAD For Al-Hadharah Boustead Reit	300,000	0.254
18	GAN TENG SIEW REALTY SDN.BERHAD	298,893	0.254
19	AMANAHRAYA TRUSTEES BERHAD Dana Islamiah Affin	292,900	0.248
20	HSBC NOMINEES (ASING) SDN BHD Bny Lux For Asia Pacific Equity Income Fund Blackrock Gbl F)	292,400	0.248

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
21	AFFIN NOMINEES (TEMPATAN) SDN BHD Yayasan Warisan Perajurit	271,000	0.230
22	AMANAHRAYA TRUSTEES BERHAD Affin Tactical Fund	256,100	0.217
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)	254,221	0.216
24	TAN EWE SEONG	245,000	0.208
25	KEY DEVELOPMENT SDN.BERHAD	241,709	0.205
26	EBINESAN DANIEL @ DANIEL A/L GNANAKKAN	215,000	0.182
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Au Kwan Seng	196,800	0.167
28	GEMAS BAHRU ESTATES SDN. BHD.	196,631	0.167
29	AHMAD RODZI BIN PAWANTEH	190,000	0.161
30	CIMSEC NOMINEES (ASING) SDN BHD Exempt An For Cimb Securities (Singapore) Pte Ltd (Retail Clients)	187,379	0.159
	TOTAL	**103,307,180**	**87.776**

ANALYSIS OF SHAREHOLDINGS
As At 31 January 2013

SUBSTANTIAL SHAREHOLDERS (as per the Register of Substantial Shareholders)

No.	Name of Substantial Shareholders	Direct	%
1	Boustead Holdings Berhad Account Non-Trading	66,413,825	56.438
2	Lembaga Tabung Angkatan Tentera	14,550,220	12.364

DIRECTORS' SHAREHOLDINGS (as per the Register of Substantial Shareholders)

No.	Name of Directors	Direct	%
1	Che Lodin Bin Wok Kamaruddin	4,280,782	3.637
2	Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Che Lodin Bin Wok Kamaruddin	1,401,104	1.190
3	Ebinesan Daniel @ Daniel A/L Gnanakkan	215,000	0.182
4	Farshila Binti Emran	420,000	0.356
5	Izzat Bin Othman	45,000	0.038

GROUP CORPORATE DIRECTORY

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
Idaman Pharma Manufacturing Sdn. Bhd. (Sungai Petani)	Lot No. 24, Jalan Perusahaan 8, Bakar Arang Industrial Estate, 08000 Sungai Petani Kedah Darul Aman Tel: +604-4213 011 Fax: +604-4215 731
Idaman Pharma Manufacturing Sdn. Bhd. (Sri Iskandar)	Lot 120, Taman Farmaseutikal Bandar Sri Iskandar, 326000 Sri Iskandar Perak Darul Ridzuan Tel: +605-3712020 Fax: +605-3711940/1950

GROUP CORPORATE DIRECTORY

LIST OF COMPANIES	ADDRESS
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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of Pharmaniaga Berhad (467709-M) (the Company) will be held at The Royale Bintang Damansara Hotel, The Royale Ballroom, 2nd Floor, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 3 April 2013 at 9.30 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

1 To receive and consider the audited financial statements for the year ended 31 December 2012, and the Report of the Directors. — Resolution 1

2 To re-elect Izzat Othman who retires by rotation pursuant to Article 88 of the Company's Articles of Association and, being eligible, offers himself for re-election. — Resolution 2

3 To re-elect Tan Sri Dato' Seri Lodin Wok Kamaruddin who retires by rotation pursuant to Article 88 of Company's Articles of Association and, being eligible, offers himself for re-election. — Resolution 3

4 To approve Directors' fees. — Resolution 4

5 To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to determine their remuneration. — Resolution 5

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, with or without modifications:

6 **Ordinary Resolution** — Resolution 6
Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7 **Ordinary Resolution** Resolution 7
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

"THAT, subject to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its Subsidiaries (Pharmaniaga Group) to enter into all transactions involving the Related Parties as specified in Section 2.2 of the Circular to Shareholders dated 12 March 2013 provided that such transactions are :

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for the day-to-day operations;

(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

(iv) are not to the detriment of the minority shareholders.

AND THAT such approval shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting (AGM), at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;

(ii) the expiration of the period within the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act [but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or

(iii) revoked or varied by resolution passed by the shareholders in a General Meeting;

whichever is the earlier.

And further that the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate."

8 **Ordinary Resolution** Resolution 8
Proposed Additional Shareholders' Mandate for Recurrent Related Party Transactions

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries (Pharmaniaga Group) to enter into recurrent transactions of a revenue of trading nature with the Related Parties as specified in Section 2.3 of the Circular to Shareholders dated 12 March 2013 subject to the following:

(i) the transactions are in the ordinary course of business, at arm's length basis and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;

(ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year;

(iii) that such authority shall continue to be in force until:

  (a) the conclusion of the next Annual General Meeting (AGM) of the Company following the forthcoming AGM at which such Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;

  (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 [but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act, 1965]; or

  (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to completed and do all such acts and things as they may consider expedient or necessary in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions authorised by this Ordinary Resolution."

NOTICE OF ANNUAL GENERAL MEETING

9 To transact any other ordinary business of the Company.

By Order of the Board

SHARIFAH MALEK (LS00448)
NOR AZRINA ZAKARIA (LS0009161)
Secretaries

Kuala Lumpur
12 March 2013

Notes

(a) A member of Pharmaniaga 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 Pharmaniaga and a member may appoint any person to be his proxy. The instrument appointing a proxy must be lodged at the Registered Office or Share Registrar's Office not less than forty-eight hours before the time of the Meeting.

(b) The ordinary resolution proposed under item 6 above, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting required by law to be held, whichever is earlier. The mandate sought under item 6 above is a renewal of an existing mandate.

(c) The proposed resolutions 7 and 8, if passed, will enable the Company and/or its Subsidiaries to enter into recurrent transactions involving the interests of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Statement Accompanying Notice of the Fifteenth Annual General Meeting pursuant to paragraph 8.27(2) of the main market Listing Requirements of Bursa Malaysia Securities Berhad

1 Directors who are standing for re-election at the Annual General Meeting

Directors standing for re-election pursuant to Article 88 of the Company's Articles of Association:-

a) Izzat Othman
b) Tan Sri Dato' Seri Lodin Wok Kamaruddin

Details of attendance of Board Meetings of Directors seeking re-election are set out on page 47 of the Annual Report.

Profile of Directors standing for re-election are out on pages 12 and 15 of the Annual Report, while details of their interest in securities are set out on pages 76, 77 and 192 of the Annual Report.

2 Date, time and place of the Annual General Meeting

The Fifteenth Annual General Meeting of Pharmaniaga Berhad will be held as follows:-

Date	:	Wednesday, 3 April 2013
Time	:	9.30 a.m.
Place	:	The Royale Bintang Damansara Hotel The Royale Ballroom, 2nd Floor No. 2, Jalan PJU 7/3, Mutiara Damansara 47810 Petaling Jaya Selangor Darul Ehsan

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PHARMANIAGA BERHAD (467709-M)

(Incorporated in Malaysia)

Proxy Form

I/We ______________________________ NRIC (New)/Company No.: ______________

(INSERT FULL NAME IN BLOCK CAPITAL)

of ____

(FULL ADDRESS)

being a member/members of PHARMANIAGA BERHAD, hereby appoint * ______________________

______________________________ NRIC (New)/Company No.: ______________

(INSERT FULL NAME IN BLOCK CAPITAL)

of ____

(FULL ADDRESS)

and/or ______________________________ NRIC (New)/Company No.: ______________

(INSERT FULL NAME IN BLOCK CAPITAL)

of ____

(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at The Royale Bintang Damansara Hotel, The Royale Ballroom, 2nd Floor, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 3 April 2013 at 9.30 a.m. and at any adjournment thereof, to vote as indicated below :

No.	Resolution	For	Against
1	To receive and consider the audited financial statements for the year ended 31 December 2012, and the Report of the Directors.		
2	To re-elect Izzat Othman who retires by rotation pursuant to Article 88 of the Company's Articles of Association and, being eligible, offers himself for re-election.		
3	To re-elect Tan Sri Dato' Seri Lodin Wok Kamaruddin who retires by rotation pursuant to Article 88 of Company's Articles of Association and, being eligible, offers himself for re-election.		
4	To approve Directors' fees.		
5	To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to determine their remuneration.		
6	Ordinary Resolution Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965		
7	Ordinary Resolution Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		
8	Ordinary Resolution Proposed Additional Shareholders' Mandate for Recurrent Related Party Transactions		

Dated this ____________ day of ____________ 2013.

____

Signature of Member/Common Seal

No. of ordinary shares held:	
CDS Account No.:	
Proportion of shareholdings to be represented by proxies	First Proxy: ______% Second Proxy: ______%
Contact No.:	

NOTES :

1. If you wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters the full name and address of the person of your choice and initial the insertion at the same time deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.
2. In the case of a Corporation, the proxy should be executed under its Common Seal or under the hand of a duly authorised officer.
3. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the Company's Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, at least 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
5. Only members registered in the Record of Depositors as at 27 March 2013 shall be eligible to attend the Meeting or appoint a proxy to attend and vote on his/her behalf.

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Affix Stamp
Here

Share Registrar
Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Fold here

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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