pharmaniaga®
passion for patients

PROTECTING THE NATION

ANNUAL REPORT 2020

A member of Boustead Group

OUR MOTTO

At the heart of Pharmaniaga, our *Passion for Patients* philosophy reflects our single-minded drive to ensure steadfast, stable delivery of quality pharmaceutical products and accessible services to everyone. Given our well-established presence in an industry where life is paramount, we cultivate a strong culture of compliance, integrity and professionalism to provide relevant, meaningful healthcare solutions while balancing business sustainability, continuous technological advancement and social responsibility, paving the way forward as the nation's leading technically viable pharmaceutical company.

CORE VALUES

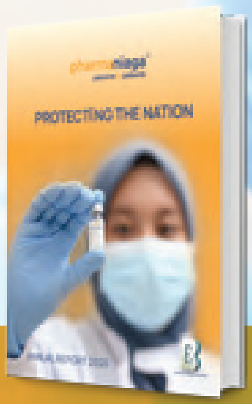
- RESPECT
- INTEGRITY
- TEAMWORK
- EXCELLENCE

Pharmaniaga entered into an agreement with the Malaysian Government in the first quarter of 2021 to supply 12 million doses of the Sinovac COVID-19 vaccine to be filled and finished at our small volume injectable plant, Pharmaniaga LifeScience Sdn Bhd in Puchong, Selangor.

This marks a milestone not only for Pharmaniaga, but for the nation, as this is the first human vaccine in history to be filled and finished in Malaysia.

DO IT RIGHT CULTURE

The Do It Right culture is founded on a set of attitudes, behaviours and values that are deeply embedded at the heart of Pharmaniaga. Cultivating a *Do It Right* culture is vital to ensure that all employees stay true to our RITE core values. This subsequently allows us to create a highly engaged and performance-driven talent pool, contributing to the sustainable growth and success of Pharmaniaga.



PROTECTING THE NATION

This year's cover visual and theme brings to the spotlight Pharmaniaga's critical role in protecting the nation amidst the COVID-19 pandemic, particularly given our proven capabilities and expertise to supply and produce COVID-19 vaccine. Venturing into vaccine manufacturing in partnership with Sinovac Life Sciences Co Ltd represents a key milestone, not only for the Group but for Malaysia, as the first human vaccine to be filled and finished locally. The visual illustrates our continued drive to support and safeguard our nation, while strengthening our vaccine business to unlock opportunities for the Group as well as for Malaysia's pharmaceutical sector.

Cover Photo by: **Muhammad Fandee bin Rosni**

ONLINE VERSION

www.pharmaniaga.com

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INSIDE THIS REPORT

ABOUT US

Providing products and services of high calibre is the core tenet of Pharmaniaga Berhad, particularly given our position as one of Malaysia's largest listed integrated pharmaceutical groups. We are driven by our motto; ***Passion for Patients*** which is reflected in everything that we do.

Propelled by our strong commitment to excellence, the Group is involved in various segments of the pharmaceutical value chain including research and development, manufacturing of generic drugs and medical devices, logistics and distribution, sales and marketing, as well as community pharmacy.

Established as one of the major players in the domestic market, we are strategically growing our international reach, especially in the regional market.

Annual Report 2020

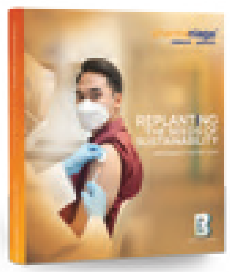
REPORTING FRAMEWORK

This statement has been prepared in accordance with Bursa Malaysia Securities Berhad's (Bursa Malaysia) Main Market Listing Requirements (MMLR), Companies Act 2016, Malaysian Code on Corporate Governance and the Malaysian Financial Reporting Framework.

FEEDBACK

This report is available online and can be downloaded from our website **www.pharmaniaga.com.** We encourage and value feedback from our stakeholders on the content of this report. If you have any comments or suggestions to share in this regard, please direct them to:

Name	: **Norai'ni Mohamed Ali**
Designation	: **Group Chief Financial Officer**
Telephone	: **+603-3342 9999**
E-mail	: **noraini.aliani@pharmaniaga.com**



Sustainability Report 2020

REPORTING FRAMEWORK

This Sustainability Report has been prepared in accordance to Bursa Malaysia MMLR on Sustainability Reporting, with guidance from Bursa Malaysia's Sustainability Reporting Guide (2nd Edition). We have also prepared the Report in accordance with the Global Reporting Initiative (GRI) Standards – Core Option. By incorporating the GRI reporting principles of stakeholder inclusiveness, sustainability context, materiality and completeness, we aim to provide a balanced account of our approach to manage our material matters.

FEEDBACK

This report is available online and can be downloaded from our website **www.pharmaniaga.com.** We encourage and value feedback from our stakeholders on the content of this report. If you have any comments or suggestions to share in this regard, please direct them to:

Name	: **Dr. Badarulhisam Abdul Rahman**
Designation	: **Head of Sustainability**
Telephone	: **+603-3342 9999**
E-mail	: **sustainability@pharmaniaga.com**

OUR VISION

The preferred pharmaceutical brand in regional markets

OUR MISSION

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

OUR CORE VALUES

RESPECT

DIGNITY · TRUST · FAIR · OPEN · HONOUR

- We believe in the inherent worth of our people and will honour relationships with our fellow employees, our customers, our shareholders and our community.
- We measure respect for people by the way we treat each other, by the contributions that flow from our diversity, by the productivity of our relationships, and by a job well done, no matter what the job is.

INTEGRITY

HONEST · TRUTHFUL · CONSCIENCE · SINCERE · ACCOUNTABILITY

- We adopt open and honest attitudes in all aspects.
- We adhere to all sets of rules, regulations and guidelines.
- We perform to our best ability at a very high standard whilst continuously improving the quality of our products and services.

TEAMWORK

UNITY · HARMONY · CO-OPERATION · COMMITMENT · COLLABORATION

- We collaborate and work co-operatively across cultures and organisational boundaries to achieve shared goals and work towards solutions which generally benefit all parties involved.
- We share our beliefs and agree to a common cause to show our commitment to each other’s well-being.

EXCELLENCE

PROFESSIONAL · COURAGE · PRIDE · PROACTIVE · COMPETITIVE

- We show and keep our commitment to operate competitively, strive to acquire the relevant knowledge and skills and benchmark ourselves against world-class leaders in our effort for continuous improvement.
- We demonstrate flexibility as well as courage that highlight our ability to keep ourselves aligned with a world in motion.

KEY ACHIEVEMENTS

Pharmaniaga LifeScience Sdn Bhd, our small volume injectable plant selected as partner to the Malaysian Government to undertake **fill and finish manufacturing of 12 million doses of Sinovac COVID-19 vaccine**

Signed MoA with world's largest vaccine manufacturer to **purchase, market, distribute and sell pneumococcal vaccine in Malaysia**

Newly registered products: **44**

Invested approximately RM **3** million on high-performance equipment and technology to enable the production of COVID-19 vaccine fill and finish manufacturing

Implemented **Internet of Things (IoT) technology** to improve real-time temperature monitoring & **IoT devices** for GPS tracking

Assisted in distributing critically-needed PPE & related equipment nationwide during the pandemic, with cost amounting to RM **5.5** million

Investing more than RM **100** million on Halal vaccine manufacturing facility and product development

Recorded **99.6%** compliance with all performance standards for the provision of medicines and medical supplies to MOH

RoyalePharma Alliance Members: **415**

Increased Customer Satisfaction Scores: 'Good' & 'Excellent'

MOH **97%**

MOHE **96%**

AT A GLANCE

REVENUE
RM 2.7 BILLION

PROFIT BEFORE ZAKAT AND TAXATION
RM 36 MILLION

DIVIDEND PER SHARE
11 SEN

EARNINGS PER SHARE
10.51 SEN

COST SAVING INITIATIVES
RM 2.7 MILLION

CORPORATE RESPONSIBILITY INITIATIVES
RM 8.8 MILLION

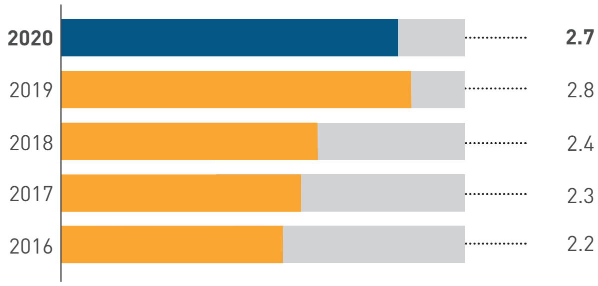
EMPLOYEES
3,603
EMPLOYEES (99.8% LOCAL)

9,210
COVID-19 SWAB TESTS CONDUCTED ON EMPLOYEES

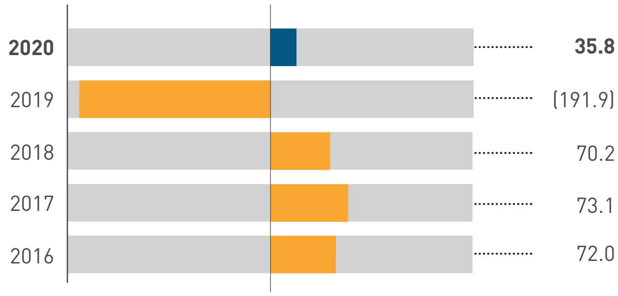
FIVE-YEAR FINANCIAL HIGHLIGHTS

All figures are in RM million unless otherwise stated		2020	2019	2018	2017	2016
FINANCIAL PERFORMANCE						
Revenue		**2,725.1**	2,820.5	2,385.0	2,324.0	2,189.0
Earnings before interest, taxation, depreciation and amortisation		**101.2**	130.6	153.5	147.6	150.6
Profit/(Loss) before zakat and taxation		**35.8**	(191.9)	70.2	73.1	72.0
Profit/(Loss) after taxation		**26.3**	(149.4)	43.2	55.1	45.9
Net attributable profit/(loss)		**27.5**	(149.2)	42.5	53.8	45.6
Earnings/(Loss) per share	sen	**10.5**	(57.2)	16.3	20.7	17.6
Return on equity	%	**8.1**	(35.2)	8.2	10.2	8.6
Return on assets	%	**4.3**	(8.7)	6.0	6.1	6.6
Return on revenue	%	**2.5**	(5.4)	4.4	4.4	4.8
DIVIDENDS						
Dividend payout	%	**105**	(14.9)	98.0	91.6	90.9
Dividend payment		**28.8**	22.2	41.6	49.3	41.5
Net dividend per share	sen	**11.0**	8.5	16.0	19.0	16.0
Dividend yield	%	**2.2**	4.1	5.8	4.1	3.0
Dividend cover	times	**1.0**	(6.7)	1.0	1.1	1.1
GEARING						
Borrowings		**669.6**	565.3	642.8	444.3	616.9
Gearing	times	**2.0**	1.7	1.3	0.8	1.2
Interest cover	times	**2.0**	(3.8)	2.9	3.5	3.1
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	**129.0**	129.0	196.0	203.0	205.0
Price earning ratio	times	**47.6**	(3.6)	17.0	22.2	30.1
Paid up share capital		**153.3**	151.9	149.4	146.2	129.7
Shareholders' equity		**337.5**	337.9	509.3	528.0	530.6
Total equity		**355.0**	356.9	528.7	547.1	559.4
Total assets		**1,580.2**	1,592.3	1,907.7	1,607.8	1,683.1

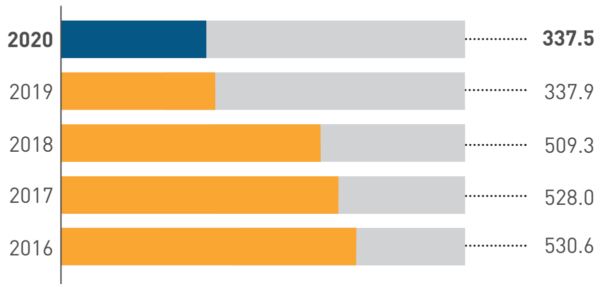
REVENUE
(RM billion)



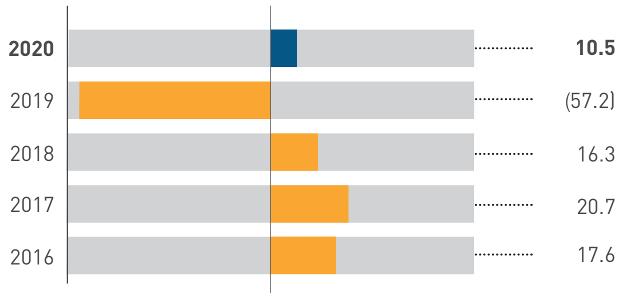
PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION
(RM million)



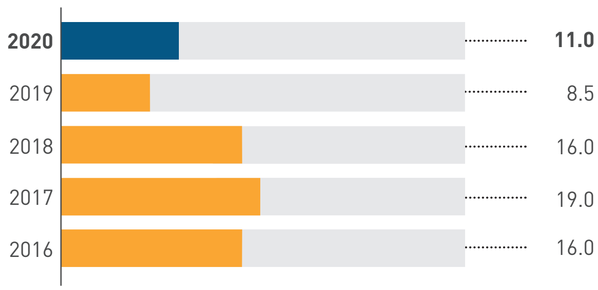
SHAREHOLDERS' EQUITY
(RM million)



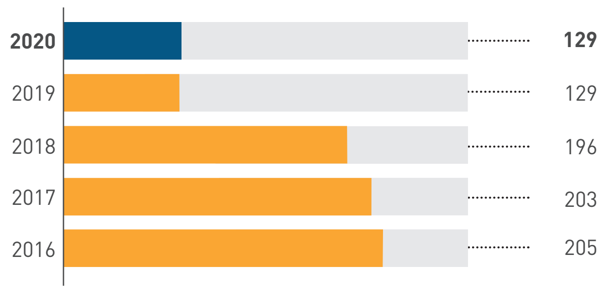
EARNINGS/(LOSS) PER SHARE
(sen)



NET DIVIDEND PER SHARE
(sen)



NET ASSETS PER SHARE
(sen)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Sri Mohammed Shazalli Ramly
Non-Independent Non-Executive Chairman

Datuk Zulkarnain Md Eusope
Group Managing Director

Dato' Dr. Najmil Faiz Mohamed Aris
Independent Non-Executive Director

Datuk Dr. Azhar Ahmad
Independent Non-Executive Director

Zulkifli Jafar
Independent Non-Executive Director

Dr. Abdul Razak Ahmad
Independent Non-Executive Director

Izaddeen Daud
Non-Independent Non-Executive Director

Zainal Abidin Shariff
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Zainal Abidin Shariff

Members
Zulkifli Jafar
Dr. Abdul Razak Ahmad
Izaddeen Daud

NOMINATING AND REMUNERATION COMMITTEE

Chairman
Dr. Abdul Razak Ahmad

Members
Zulkifli Jafar
Zainal Abidin Shariff
Izaddeen Daud

SUSTAINABILITY COMMITTEE

Chairman
Datuk Dr. Azhar Ahmad

Members
Dato' Dr. Najmil Faiz Mohamed Aris
Dr. Abdul Razak Ahmad

BOARD RISK MANAGEMENT COMMITTEE

Chairman
Dato' Dr. Najmil Faiz Mohamed Aris

Members
Zulkifli Jafar
Zainal Abidin Shariff

BOARD TENDER COMMITTEE

Chairman
Zulkifli Jafar

Members
Dr. Abdul Razak Ahmad
Izaddeen Daud

COMPANY SECRETARIES

Wan Intan Idura Wan Ismail (LS 0010452)
Syaruzaimi Yusof (LS 0010451)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector : Trading/Services
Stock Code : 7081

REGISTERED OFFICE

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
Website : www.pharmaniaga.com
Email : info@pharmaniaga.com

PRINCIPAL BANKERS

Bank Muamalat Malaysia Berhad
Affin Islamic Bank Berhad
Bank Islam Malaysia Berhad
Hong Leong Islamic Bank Berhad
Standard Chartered Bank Malaysia Berhad

AUDITORS

Messrs. PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
P.O Box 10192
50706 Kuala Lumpur

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd Co. Reg. No. 197101000970 (11324-H)
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9299
Fax : +603-2783 9222

FINANCIAL CALENDAR

1 FINANCIAL YEAR

1 January to 31 December 2020

2 ANNUAL REPORT

Issued on 24 May 2021

3 ANNUAL GENERAL MEETING

To be held on 16 June 2021

4 RESULTS

1st Quarter:
Announced on
19 May 2020

2nd Quarter:
Announced on
19 August 2020

3rd Quarter:
Announced on
19 November 2020

4th Quarter:
Announced on
17 March 2021

5 DIVIDENDS

1ST INTERIM
Announced:
19 May 2020
Entitlement date:
5 June 2020
Payment date:
30 June 2020

2ND INTERIM
Announced:
19 August 2020
Entitlement date:
8 September 2020
Payment date:
6 October 2020

3RD INTERIM
Announced:
19 November 2020
Entitlement date:
7 December 2020
Payment date:
29 December 2020

4TH INTERIM
Announced:
17 March 2021
Entitlement date:
31 March 2021
Payment date:
22 April 2021

AWARDS & RECOGNITIONS
RECEIVED IN 2020

Malaysia's 100 Leading Graduate Employers Awards 2020
Pharmaceutical Category
Pharmaniaga Berhad

Global Halal Excellence Awards (GHEA) 2020
Excellence in Pharmaceutical Award Category
Pharmaniaga Manufacturing Berhad

Halal Pharmaceutical Excellence Award 2020
Pharmaniaga Manufacturing Berhad

Sustainability & CSR Awards 2020
Company of the Year-
Integrated Pharmaceutical Group Category
Pharmaniaga Berhad

CXP Best Customer Experience Awards 2020
Pharmaniaga Logistics Sdn Bhd

BOARD OF DIRECTORS

Dato' Dr. Najmil Faiz Mohamed Aris
Independent
Non-Executive Director

Dr. Abdul Razak Ahmad
Independent
Non-Executive Director

Dato' Sri Mohammed Shazalli Ramly
Non-Independent
Non-Executive Chairman

Izaddeen Daud
Non-Independent
Non-Executive Director

Zainal Abidin Shariff
Independent
Non-Executive Director

Datuk Dr. Azhar Ahmad
Independent
Non-Executive Director

Datuk Zulkarnain Md Eusope
Group Managing
Director

Zulkifli Jafar
Independent
Non-Executive Director

PROFILE OF DIRECTORS

Malaysian | 58 | Male

Date of appointment to present position:

1 March 2021

DATO' SRI MOHAMMED SHAZALLI RAMLY

Non-Independent Non-Executive Chairman

Working experience:

Dato' Sri Mohammed Shazalli, also known in the industry as a 'brand guru' brings over 30 years of professional experience in various fields namely telecommunications, media & broadcasting and consumer marketing. He is highly regarded in the industry with strengths in corporate transformation, revenue generation, digitalisation, marketing and distribution, as well as commercial & operational excellence, amongst others.

He began his career with Unilever, Malaysian Tobacco Company and British American Tobacco Company, focusing on strengthening their brands from 1987 to 1996 before joining ASTRO in 1996 as the Marketing Director. During his stint at ASTRO, he pioneered the launch of their digital satellite services in Malaysia. He then expanded his horizon and became the Chief Executive Officer (CEO) of NTV7, Malaysia's seventh terrestrial TV station, for eight years since its launch in 1998. In 2005, he served as the CEO and Director of Celcom Axiata Berhad where he was the driving force behind Celcom's record breaking 31 quarters of uninterrupted consecutive growth with double-digit growth in revenue, EBITDA and net profit. Subsequently, he was promoted to Regional CEO and Corporate Executive Vice President of Axiata Group Berhad.

Dato' Sri Mohammed Shazalli then served as the Group Managing Director and CEO of Telekom Malaysia Berhad, as well as a consultant at Strategic Brand Resources & Consultancy Sdn Bhd prior to his appointment as Group Managing Director of Boustead Holdings Berhad on 1 December 2020. Dato' Sri Mohammed Shazalli also brings with him an extensive directorship experience, where he was previously board members of prominent organisations such as Malaysia Airlines System Berhad and Proton Holdings Berhad's Special Task Force.

Board Committee(s)

None

Qualification(s):

- Master of Business Administration, St. Louis University, Missouri, United States of America
- Bachelor of Science (Marketing), Indiana University Bloomington, Indiana, United States of America

Details of any interest in the securities of Pharmaniaga Berhad:

None

Directorship in other public listed companies:

- Boustead Holdings Berhad
- Boustead Heavy Industries Corporation Berhad

Any family relationship with any director/major shareholder of the Company:

None

Any conflict of interests with the Company:

None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:

None

Malaysian | 53 | Male

Date of appointment to present position:

1 September 2020

DATUK ZULKARNAIN MD EUSOPE

Group Managing Director

Working experience:

Datuk Zulkarnain has over 27 years of experience in engineering, corporate planning, fund raising exercise, as well as merger and acquisition. He began his career in 1991 with Tenaga Nasional Berhad as an Electrical Engineer before joining EPE Power Corporation Berhad as Project Manager.

In 2001, Malaysia Resources Corporation Berhad (MRCB) recruited him as a Project Coordinator specialising in engineering related projects. His last assignment saw him leading the International Business Development Unit for the Middle East/ South Africa (MESA) and South Asia regions. In 2006, he joined Empire Energy Corp, an international energy company and served as a Senior Vice President with a focus on restructuring distressed power plant projects in South East Asia. He was also tasked to develop coal-fire power plants in Indonesia and led the strategic efforts to acquire the Indonesian company.

In 2010, he expanded his horizon and became the Commercial and Corporate Advisor for various companies and provided strategic business development and advisory services. He has made a mark in corporate industry with his vast experience in developing mega projects locally and internationally.

He joined FELCRA Berhad in 2014 as Chief Investment Officer and was entrusted a bigger role to lead FELCRA Berhad as the Chief Executive Officer in 2016. He was the driving force that took the organisation to venture into food security, expanding fertiliser industry and property development. Datuk Zulkarnain left FELCRA in October 2018 and is currently a Board Member of UMK Business Ventures Sdn Bhd and Fellow of International Institute of Plantation Management. He is also an Adjunct Professor at Universiti Malaysia Kelantan.

Board Committee(s)

None

Qualification(s):

- Bachelor in Engineering, Northern Arizona University, United States of America

Details of any interest in the securities of Pharmaniaga Berhad:

None

Directorship in other public listed companies:

None

Any family relationship with any director/major shareholder of the Company:

None

Any conflict of interests with the Company:

None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:

None

PROFILE OF DIRECTORS (Cont'd)

Malaysian | 41 | Male

Date of appointment to present position:
3 August 2020

DATO' DR. NAJMIL FAIZ MOHAMED ARIS

Independent Non-Executive Director

Working experience:
Dato' Dr. Najmil Faiz began his career in 1999 at EPSON (M) Sdn Bhd as a machine maintenance technical specialist. His passion for education pushed him to pursue his tertiary education in the United Kingdom (UK) and from 2001 to 2008, he completed his bachelor's and master's degree at Leeds Metropolitan University, in Leeds and his PhD at Brunel University, in London. During his time in the UK, he took the opportunity to concurrently work while completing his studies. Amongst the roles he assumed was as a general office assistant at Deloitte & Touche, building supervisor at Leeds Metropolitan University, as well as building manager at Xerox UK Ltd., Uxbridge, London.

In late 2008, he returned to Malaysia and served as a Private Secretary to the Minister of Tourism, Arts and Culture. A year later, he was transferred to the Ministry of Rural Development, where he assumed the role of Private Secretary to the Minister for six years.

Amongst his other accomplishments include his appointment as Director-General of Seranta FELCRA Berhad, Board Members of Pengkalan Bekalan Kemaman Logistics Sdn Bhd and Akademik Kolej Universiti RISDA. In 2015, he expanded his horizon and became the director of Bianco Mimosa Sdn Bhd, a renowned fashion house in Malaysia and remains there until today. His motivational book entitled 'Towards Greater Heights' was launched by Tun Abdullah Ahmad Badawi, Malaysia's fifth Prime Minister in 2006.

Board Committee(s)
- Chairman of Board Risk Management Committee
- Member of Sustainability Committee

Qualification(s):
- Master of Political Science, Universiti Kebangsaan Malaysia
- Philosophy of Doctorate (PhD) in Nanotechnology Engineering from Brunel University, London, United Kingdom
- Master of Philosophy (MPhil) in Nanotechnology Engineering from Leeds Metropolitan University, United Kingdom
- B.Eng (Honours) in Manufacturing Engineering from Leeds Metropolitan University, United Kingdom

Details of any interest in the securities of Pharmaniaga Berhad:
None

Directorship in other public listed companies:
None

Any family relationship with any director/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

Malaysian | 58 | Male

Date of appointment to present position:
3 August 2020

DATUK DR. AZHAR AHMAD

Independent Non-Executive Director

Working experience:
Datuk Dr. Azhar was the Chief Information Officer of the Federal Land Development Authority (FELDA) in Ipoh from 2002 to 2004. Two years later, he was promoted to Executive Assistant of the State Government of Perak. In 2008, Datuk Dr. Azhar joined the Rubber Industry Smallholders Development Authority (RISDA) as a Senior Administration Officer.

From 2010 to 2018, he took on bigger responsibilities as the Chairman of Yayasan Kemajuan Islam Darul Ridzuan (KADIR) to lead the Board in aligning its strategic focus. Following his love of sports, he then served as a Consultant at Universiti Putra Malaysia's Sports Academy from June 2019 to February 2020.

From April 2020 until presently, he is a committee member of PEMIKIR, a think tank at the Ministry of National Unity. Datuk Dr. Azhar is a Commission member of Suruhanjaya Perkhidmatan Air Negara (SPAN) since May 2020. He also sits on the Board of Universiti Pendidikan Sultan Idris since June 2020.

His other accomplishments include his involvement in various areas of research and development of social science and humanities, with his articles published in various journals. He has also presented his research papers at international seminars in Australia, Turkey and New Zealand.

Board Committee(s)
- Chairman of Sustainability Committee

Qualification(s):
- Doctoral of Politics and Government, Universiti Putra Malaysia
- Master of Politics and Government, Universiti Putra Malaysia
- Bachelor of Management (Honours), Open University Malaysia

Details of any interest in the securities of Pharmaniaga Berhad:
None

Directorship in other public listed companies:
None

Any family relationship with any director/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

PROFILE OF DIRECTORS (Cont'd)

Malaysian | 48 | Male

Date of appointment to present position:
3 August 2020

ZULKIFLI JAFAR

Independent Non-Executive Director

Working experience:
Zulkifli is a lawyer by profession. He began his career at Panglima Aces Sdn Bhd in 1997 as a legal counsel and within the same year, he became a Senior Legal Assistant at Messrs Raslan Loong. Subsequently in 2002, he became a partner at Messrs Rashid Zulkifli and from 2007 until presently, he is the major shareholder and director of MMA Resources Sdn Bhd.

With his vast experience, Zulkifli presently sits as a Chairman and Director of Era Universe Development Sdn Bhd and as Legal Advisor for Johor State Government-linked Companies (GLC). He has also served as director of various companies including Cooperative Commission of Malaysia, Songa Offshore Malaysia Sdn Bhd, Aladdin Group Sdn Bhd and Board of Trustee of the Foundation of Research and Transformation, an independent think tank and research body at the Prime Minister's office.

He also sits as a Director and management member of the Chartridge Conference Centre (UK) Limited, operating four hotels and conference centres in Chartridge Lodge, The Beeches, Hitchin Priory and Marsh Farm (United Kingdom) from 2015 until present.

Board Committee(s)
- Chairman of Board Tender Committee
- Member of Audit Committee
- Member of Nominating and Remuneration Committee
- Member of Board Risk Management Committee

Qualification(s):
- Advocate and Solicitor of the High Court of Malaya
- Certified Patent Agent
- Bachelor of Laws, Universiti Islam Antarabangsa Malaysia

Details of any interest in the securities of Pharmaniaga Berhad:
None

Directorship in other public listed companies:
None

Any family relationship with any director/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

Malaysian | 49 | Male

Date of appointment to present position:
20 November 2020

DR. ABDUL RAZAK AHMAD

Independent Non-Executive Director

Working experience:
Dr. Abdul Razak began his career as a solicitor with the firm Battemberg and Talma. Here, he served international business groups operating in Vietnam and Laos. He then returned to Malaysia and subsequently made his contribution in shaping public policy, focusing on his niche areas of expertise in socio economic development, globalisation, higher education and human capital.

Upon his return, he served as an academician and was later seconded to the Government of Malaysia where he served on the National Economic Action Council (NEAC) of the Prime Minister's Department as a Consultant to the Special Consultancy Team on Globalisation. During his tenure there, Dr. Abdul Razak was responsible in developing national strategy in mitigating the impact of globalisation and global interdependence. From 2005 to 2014, he served the newly established Ministry of Higher Education and was later appointed as the Special Advisor to the Minister of Higher Education, Malaysia.

On the international front, Dr. Abdul Razak has been instrumental in implementing various international development projects in countries such as Indonesia, Vietnam, the Philippines, Timor Leste, Papua New Guinea, the Gaza Strip, Libya, Tunisia and Iran. He had advised the World Bank and other International Development agencies, all while serving the Government of Malaysia. He also played a role in developing Libya's Vision 2030 and assisted in developing the Educational Blueprint for the Ministry of Education of Palestine. Throughout his productive career, he had served several Ministries and was a former Special Advisor to the Chief Minister of Johor and a member of the advisory team to the former Minister of Defence, Malaysia. Dr. Abdul Razak is currently a member of the Ibrahim Johor Economic Council and served the Perdana University and Universiti Sains Malaysia as an adjunct Professor. He is the founding director of Bait Al Amanah, a political and development think tank based in Kuala Lumpur.

Board Committee(s)
- Chairman of Nominating and Remuneration Committee
- Member of Audit Committee
- Member of Sustainability Committee
- Member of Board Tender Committee

Qualification(s):
- Doctor of Philosophy (DPhil) in Law (International Security), University of Leeds, United Kingdom
- Masters in LLM (International Trade Law), University of Kent at Canterbury, United Kingdom
- Bachelor of Laws (Honours), Universiti Islam Antarabangsa Malaysia

Details of any interest in the securities of Pharmaniaga Berhad:
None

Directorship in other public listed companies:
None

Any family relationship with any director/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

PROFILE OF DIRECTORS (Cont'd)

Malaysian | 52 | Male

Date of appointment to present position:
1 March 2021

IZADDEEN DAUD

Non-Independent Non-Executive Director

Working experience:
Izaddeen began his career at Ernst & Young as an auditor in 1991. He then shifted his focus on the banking industry up until 1998. Izaddeen then assumed the role of Assistant Vice President of Permodalan Nasional Berhad from 1999 to 2007 and subsequently joined ASM Investment Services Berhad as Chief Executive Officer between 2007 to 2008. In 2008 to 2009, he joined MARA Incorporated as Managing Director.

Beginning July 2020, he expanded his horizon by joining Boustead Holdings Berhad as the Executive Director of Group Business Development up until February 2021 and redesignated as Deputy Group Managing Director effective 1 March 2021.

Still within the Boustead Group, he was later appointed as Acting Chief Executive Officer of Boustead Properties Berhad in November of 2020. Overall, Izaddeen brings with him extensive experience in the areas of corporate finance, investment, accounting, audit and management.

Board Committee(s)
- Member of Nominating and Remuneration Committee
- Member of Board Tender Committee
- Member of Audit Committee

Qualification(s):
- Certified Financial Planner, Financial Planning Association of Malaysia
- Public Accountant, Institute of Public Accountant, Australia
- B.Sc (Honours) Accounting and Law, De Monfort University, Leicester, United Kingdom

Details of any interest in the securities of Pharmaniaga Berhad:
None

Directorship in other public listed companies:
- Boustead Holdings Berhad
- Boustead Heavy Industries Corporation Berhad
- Boustead Properties Berhad
- UAC Berhad
- Olympia Industries Berhad

Any family relationship with any director/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

Malaysian | 53 | Male

Date of appointment to present position:
1 April 2021

ZAINAL ABIDIN SHARIFF

Independent Non-Executive Director

Working experience:
Zainal Abidin has over 30 years of experience in Corporate Management, Strategic Management, Transformation and Finance in Plantation, Property and Banking Industry.

He began his career with Coopers & Lybrand as an Audit Executive in 1990 until 1992 before joining Bank of Commerce Berhad as an internal auditor in 1993. Subsequently, he joined ABN AMRO Bank as an internal auditor in 1994. In 1995, he joined Cellular Communication Networks Sdn Bhd, known as Celcom, as a Finance Manager.

From 1996 to 2007, he served Kumpulan Guthrie Berhad at various positions such as Manager in the Tax Department, Finance Manager at a plantation operation in Palembang, Manager of Group Account, Internal Auditor and General Manager at Chief Executive's Office.

In 2007, after the merger with Sime Darby Berhad Group, Zainal Abidin was the Vice President (Transformation Office) under the Group Strategy & Corporate Development Division. He was the Vice President, Business Support of Plantation Downstream Department at Sime Darby Plantation. In 2009, he was the Vice President at the Group Chief Executive's Office at Sime Darby Berhad.

He joined Prokhas Sdn Bhd as the Assistant General Manager of the Performance Management Office in 2009. He returned to Sime Darby in 2011 as the Head of Corporate Strategy and held a position as the Head at Property Management at Sime Darby Property Berhad until 2013.

In 2014, he was appointed as Chief Financial Officer of Chemara Palmea Holdings Berhad. Subsequent to that, he was the Chief Operating Officer cum Chief Financial Officer of Felcra Berhad from 2016 to 2018. He was the Chief Executive of The Incorporated Society of Planters in 2018. From 2019 to 2020, he was the Group Chief Executive Officer of TDM Berhad.

Board Committee(s)
- Chairman of Audit Committee
- Member of Nominating and Remuneration Committee
- Member of Board Risk Management Committee

Qualification(s):
- Master of Finance, RMIT University, Melbourne, Australia
- The Chartered Association of Certified Accountants Examination
- Diploma in Advanced Accounting, Luton College of Higher Education, United Kingdom

Details of any interest in the securities of Pharmaniaga Berhad:
None

Directorship in other public listed companies:
None

Any family relationship with any director/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

OUR APPRECIATION

DATUK (DR.) HAFSAH HASHIM

Independent Non-Executive Chairman
(Until 26 February 2021)

Datuk (Dr.) Hafsah has had a distinguished career with the Malaysian Government, and has served various ministries including Ministry of International Trade and Industry, Ministry of Agriculture and Ministry of Primary Industries.

She was the Chief Executive Officer of SME Corporation Malaysia for almost 14 years and under her leadership, various policies and programmes were formulated that benefitted thousands of micro businesses and medium-sized companies. She was also the Secretary to the National SME Development Council.

Datuk (Dr.) Hafsah is the Chairman of SIRIM Technology Venture Sdn Bhd and also sits on the Boards of Johor Corporation, SIRIM Berhad, while assumes an Advisory role to the Board of Bank Islam Malaysia Berhad.

She is also the Professor of Practice of Putra Business School, Universiti Putra Malaysia and Adjunct Professor for College of Business Management & Accounting, Universiti Tenaga Nasional.

DATO' MOHD ZAHIR ZAHUR HUSSAIN

Independent Non-Executive Director
(Until 30 March 2021)

Dato' Mohd Zahir has an established career as an auditor with various accounting firms including PricewaterhouseCoopers and Deloitte & Touche both at their Malaysia and overseas offices. He later became the Group Chief Financial Officer of Tracoma Holdings Berhad, a company focusing on the manufacturing of automotive components before appointed as the Audit Director for Baker Tilly Monteiro Heng, sixth largest accounting firm in the world.

He then assumed the role of Head of Fund Operations for CIMB-Principal Asset Management (CPAM) where he helped CPAM to obtain Global Investment Performance Standards and improved the company's internal control and processes.

Dato' Mohd Zahir later became the Group Chief Financial Officer of Prasarana Malaysia Berhad (Prasarana) and subsequently promoted as the Chief Executive Officer of Prasarana Integrated Development (PRIDE), a wholly owned subsidiary of Prasarana. PRIDE's business objective is to generate recurring income for Prasarana from its commercial activities such as advertising and retails, and largely from the development of properties via the "Rail & Property" business model.

Currently, he is the Senior Finance Director at Maybridge Consulting PLT, as well as a Finance Committee Member at Perbadanan Stadium Malaysia and a Director of Perbadanan Padang Golf Subang.

LIEUTENANT GENERAL DATO' SERI PANGLIMA DR. SULAIMAN ABDULLAH (RETIRED)

Independent Non-Executive Director
(Until 28 December 2020)

Lieutenant General Dato' Seri Panglima Dr. Sulaiman began his career with Malaysia Armed Forces (MAF) in 1982 and was commissioned to the Royal Medical and Dental Corps.

During his service of more than 30 years in MAF, he held several key appointments including Commanding Officer of the 3rd Medical Battalion, Commandant of the MAF Health Training Institute, Assistant Director of Medical Services of the 4th Division, Director of Medical Services, Director Commanding Officer of the 94-Armed Forces Hospital and 96 Naval Armed Forces Hospital, and completed his illustrious career as Director General of MAF Health Services.

Lieutenant General Dato' Seri Panglima Dr. Sulaiman has vast experience in the management and supervision of MAF Health Services across Malaysia and was also involved in the development of Hospital Angkatan Tentera Tuanku Mizan Zainal Abidin. Throughout his stint with MAF, he has attended professional and military training courses in the country and abroad such as United States of America, Philippines, Thailand and Australia. His area of specialty is public health and health planning.

DATUK KOO HOCK FEE

Non-Independent Non-Executive Director
(Until 23 November 2020)

Datuk Koo Hock Fee began his career as an auditor at Messrs. Morgan Brown & Haynes, London, United Kingdom in 1972 and established himself there before he returned to Malaysia in 1977. In 1980, he joined Boustead Holdings Berhad (BHB) as the Group Internal Auditor.

Throughout his tenure with the Boustead Group, he held several positions including Financial Controller of Boustead Trading Sdn Bhd, General Manager of Boustead Travel Sdn Bhd, Divisional Director of the Trading Division of BHB, as well as the Divisional Director of the Manufacturing Division of BHB.

Datuk Koo was also the Chief Executive Officer/Group Managing Director of UAC Berhad (UAC) and concurrently the Divisional Director, Industrial Division of BHB.

OUR APPRECIATION (Cont'd)

DR. SALMAH BAHRI

Independent Non-Executive Director
(Until 20 July 2020)

Dr. Salmah began her career as a registered pharmacist at Muar Hospital, Johor and since then had served the Ministry of Health Malaysia (MOH) in various departments at the state and national level for more than 35 years with her last position as Senior Director of Pharmaceutical Services, MOH. While she had accumulated vast experiences in the practices of hospital pharmacy, enforcement, regulatory and management throughout her tenure with MOH, Dr. Salmah holds a strong background in Drug Policy and Management, in which she obtained her Masters and PhD in this field of expertise.

During her tenure, she sat in numerous international and local Government Boards and Advisory Bodies Amongst her outstanding roles were as Chairman of the ASEAN Consultative Committee for Standards and Quality (ACCSQ) - Pharmaceutical Product Working Group (PPWG); Lead Coordinator for Thematic Area 4: Medicines Vaccines and Medical Technologies Organisation of Islamic Cooperation (OIC) Strategic Health Programme of Action; and CoChairman, Member State Mechanism on Substandard and Falsified Medical Products Meeting on behalf of WHO Western Pacific Region (WPRO). She was also alternate Chairperson for several MOH decision-making boards where the Director-General of Health presides as the Chairperson such as The Drug Control Authority, The Poisons Board, The Pharmacy Board and The Medicines Advertisement Board. Throughout her illustrious career, Dr. Salmah was actively involved in research and development of medicines usage in Malaysia, and had her write-ups published in various publications and journals. Highly respected and recognised by the pharmaceutical industry, she was often invited to share her knowledge and expertise at numerous seminars and conferences both in Malaysia and overseas. In February 2018, she represented MOH to the Global Intellectual Property and Access to Medicines Summit and received the Leadership Award on Intellectual Property and Access to Medicines.

BRIGADIER GENERAL DATO' MOHD SHAHROM MOHAMAD (RTD.)

Independent Non-Executive Director
(Until 20 July 2020)

Brigadier General Dato' Mohd Shahrom began his career as a cadet officer in the Malaysian Army in 1974 and had an illustrious military career before he resigned in 1986 to practise law.

He was later admitted as Advocate and Solicitor of the High Court in Malaya and has conducted various civil and criminal cases including offences involving Internal Security Act 1960, Dangerous Drugs Act 1952, Banking and Financial Institutions Act 1989, forgery, criminal breach of trust and cheating.

He has also advised the Government of Malaysia on various concession agreements such as the privatisation of the North South Expressway, Malaysia-Singapore Second Crossing Bridge, Senai-Desaru Expressway and ELITE Expressway, as well as involved in numerous infrastructure projects in Indonesia, Philippines, India and Kazakhstan. He is the founding partner of Shahrom & Co, Advocates & Solicitors.

Although Brigadier General Dato' Mohd Shahrom has left the Army, he has remained active and served as Commander of three Territorial Army regiments since 1996 and Advisor to Rejimen 508 Askar Wataniah Negeri Sembilan until 1 August 2019.

“If we pull together and work together with the maximum of goodwill and harmony, there is no limit to what our people can achieve in the years to come”

Tunku Abdul Rahman Putra Al-Haj

SENIOR MANAGEMENT TEAM

Raja Badli Raja Abdullah
Head of Corporate Finance

Zakaria Daud
President Director, PT Errita Pharma

Datin Shamsinar Haji Shaari
Technical Director

Mohamed Iqbal Abdul Rahman
Group Deputy Managing Director

Wan Intan Idura Wan Ismail
Corporate Governance Deputy Director

Abdul Malik Mohamed
Logistics & Distribution Director

Datuk Zulkarnain Md Eusope
Group Managing Director

Ahmad Abu Bakar
President Director,
PT Millennium Pharmacon International Tbk

Norai'ni Mohamed Ali
Group Chief Financial Officer

Zulhazri Razali
Commercial Director

Yang Fairuz Abdul Aziz
Corporate Services Director

Sharifah Fauziyah Syed Mohthar
Regulatory Affairs Director

Ida Marianna Abdul Rashid
Strategic Planning Director

PROFILE OF SENIOR MANAGEMENT TEAM

Malaysian | 53 | Male

Date of appointment to present position:
1 September 2020

DATUK ZULKARNAIN MD EUSOPE

Group Managing Director

As expressed on page 17 of the Profile of Directors.

Malaysian | 57 | Male

Date of appointment to present position:
1 September 2020

MOHAMED IQBAL ABDUL RAHMAN

Group Deputy Managing Director

Working experience:
Mohamed Iqbal joined Pharmaniaga in 2011 as Information Technology Director before he was promoted as Chief Operating Officer in the following year. On 1 April 2020, he was appointed as Acting Group Managing Director and subsequently in the same year on 1 September, he was appointed as Group Deputy Group Managing Director.

With more than 31 years of experience, mainly in System Improvement & Operations Management, he spearheaded the implementation of Business Intelligence System, which led to significant improvement to the company's logistics operations. He was also instrumental in the successful implementation of Pharmacy Information System at over 1,200 Ministry of Health's facilities throughout Malaysia.

Prior to joining Pharmaniaga, Mohamed Iqbal was a General Manager, Operations of Faber Medi-Serve Sdn Bhd (Faber), a hospital support services provider. He was responsible for Faber's overall operations and performance, while overseeing all the regional offices, plants and hospitals within the Concession. He was also the key liaison person, leading all the stakeholder engagement activities with the Government. Preceding to that, he also served in Maybank Group where he was recognised as an outstanding employee.

A Bachelor of Computer Science degree holder from Universiti Putra Malaysia, Mohamed Iqbal is a strong believer in the fit-for-purpose technology and cost improvement. His experience and leadership have been focused on developing and delivering technology-driven business solutions, providing outstanding client service, and driving profitable revenue growth.

Qualification(s):
- Bachelor of Computer Science, Universiti Putra Malaysia

Any directorship in public companies and public listed companies:
None

Any family relationship with any director and/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

PROFILE OF SENIOR MANAGEMENT TEAM (Cont'd)

Malaysian | 54 | Female

Date of appointment to present position:
1 June 2012

NORAI'NI MOHAMED ALI

Group Chief Financial Officer

Working experience:
Norai'ni joined Pharmaniaga in 2001 and was a Senior General Manager, Finance prior to her promotion as Procurement Director in 2011. Subsequently, she was appointed as the Group Chief Financial Officer in 2012. She also sits on the Boards of local and overseas subsidiaries of Pharmaniaga.

Prior to joining the Company, Norai'ni was attached to Opus Group Berhad, a subsidiary of UEM Group Berhad for 8 years.

She is responsible for all financial matters including acquisition of strategic business, treasury, risk management strategies and formulation of financial policies and tax planning of Pharmaniaga. She has vast experience of more than 29 years in accounting and finance.

Qualification(s):
- Association of Chartered Certified Accountants (ACCA)
- Bachelor of Arts (Honours), Accounting and Finance from Liverpool John Moores University, United Kingdom

Membership(s):
- Member of the Malaysian Institute of Accountants (MIA)
- Member of the Association of Chartered Certified Accountants (ACCA)

Any directorship in public companies and public listed companies:
None

Any family relationship with any director and/major shareholder of the Company:
None

Any conflict of interests with the Company
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

Malaysian | 67 | Female

Date of appointment to present position:
1 April 2011

DATIN SHAMSINAR HAJI SHAARI

Technical Director

Working experience:
Datin Shamsinar was appointed as the Technical Director for Pharmaniaga in 2011. She has over 41 years of experience under her belt in the pharmaceutical industry. In her capacity as a Technical Director, her role is mostly strategic where she ensures the growth of all seven manufacturing sites under her division of which six plants are located in Malaysia and one is in Bandung, Indonesia.

Apart from ensuring operational excellence and uninterrupted product supplies at each site, she drives various programmes such as plant expansion, acquisition of new technologies, strategic business partnerships and the introduction of high value new products. These initiatives are in tandem with Pharmaniaga's aspiration to be a global generic pharmaceutical company and to be competitive globally.

She is an active member in various pharmaceutical societies both locally and internationally such as the International Society for Pharmaceutical Engineering (ISPE) and the Parenteral Drug Association (PDA). Currently she is the EXCO member of the Malaysian Organisation of Pharmaceutical Industries (MOPI).

Qualification(s):
- Bachelor of Science Majoring in Pharmacology from University of London (Chelsea College), United Kingdom

Membership(s):
- EXCO member of the Malaysian Organisation of Pharmaceutical Industries (MOPI)
- International Society for Pharmaceutical Engineering (ISPE)
- Parenteral Drug Association (PDA)

Any directorship in public companies and public listed companies:
None

Any family relationship with any director and/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

PROFILE OF SENIOR MANAGEMENT TEAM (Cont'd)

Malaysian | 56 | Male

Date of appointment to present position:
1 April 2011

ABDUL MALIK MOHAMED

Logistics & Distribution Director

Working experience:
Abdul Malik joined Pharmaniaga in 2003 as a Senior Manager in IT, then moved on as General Manager of Supply Chain Management in 2008. Subsequently, in 2011 he was promoted to the position of Logistics and Distribution Director.

He undertook various professional segments namely healthcare, distribution and logistics systems and brings over more than 29 years of experience to the Company from his key roles in IT Project Management, Logistics Operations and Supply Chain Management.

Qualification(s):
- Bachelor of Science (Honours) in Computer Science and Management from Universiti Sains Malaysia

Any directorship in public companies and public listed companies:
None

Any family relationship with any director and/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

Malaysian | 50 | Female

Date of appointment to present position:
1 April 2011

SHARIFAH FAUZIYAH SYED MOHTHAR

Regulatory Affairs Director

Working experience:

Sharifah Fauziyah was appointed as the Regulatory Affairs Director of Pharmaniaga in 2011. She oversees regulatory affairs, clinical affairs and pharmacovigilance, regulatory compliance as well as customer care departments. She started her career in 1995 with Procter & Gamble before joining Idaman Pharma Sdn Bhd in 2001 and became the Site Director of Idaman Pharma Manufacturing Sdn Bhd in 2005. On 1 September 2019, she was appointed as a member of Pharmacy Board Malaysia. She has more than 21 years of experience in the pharmaceutical industry.

Qualification(s):

- Bachelor of Pharmacy (Honours), Universiti Sains Malaysia

Membership(s):

- EXCO member and regulatory lead for the Malaysian Organisation of Pharmaceutical Industries (MOPI)
- National Bioequivalence Research Committee Member (2020-2022)
- Member of Advisory Panel for Faculty of Pharmacy, Universiti Malaya (2020-2022)

Any directorship in public companies and public listed companies:

None

Any family relationship with any director and/major shareholder of the Company:

None

Any conflict of interests with the Company:

- Syed Azman Syed Ali Alkaff (brother-in-law) is an employee at Hanan Medicare Sdn Bhd
- Dato' Farshila Emran (sister-in-law) is the Chief Operating Officer of Hanan Medicare Sdn Bhd

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:

None

PROFILE OF SENIOR MANAGEMENT TEAM (Cont'd)

Malaysian | 54 | Male

Date of appointment to present position:
1 June 2014

ZULHAZRI RAZALI

Commercial Director

Working experience:
Zulhazri joined Pharmaniaga in 1994 as an Assistant Manager of Customer Care. He continued expanding his career in the Company by developing his skills and knowledge in warehouse management, supply chain, international business, sales marketing, finance and business strategy.

He was promoted as the Commercial Director in 2014. He oversees the sales & marketing division and identifies strategic business potential for the group's healthcare portfolios in private and government sectors. He provides extensive leadership by effectively communicating strategic goals and plans and drives operational efficiency profitability.

Qualification(s):
- Master of Business Administration from University of Manchester, United Kingdom
- Bachelor of Science (Honours), Pharmacy from University of Manchester, United Kingdom

Any directorship in public companies and public listed companies:
None

Any family relationship with any director and/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

Malaysian | 48 | Female

Date of appointment to present position:
1 September 2017

YANG FAIRUZ ABDUL AZIZ

Corporate Services Director

Working experience:
Yang Fairuz was appointed as the Corporate Services Director in 2017. Prior to this appointment, she was the Head of Community Pharmacy of Pristine Pharma Shd Bhd, managing RoyalePharma Pharmacy and Vendor Development Programme.

Before joining Pharmaniaga, she was attached to Schlumberger's Geosciences and Petroleum Engineering segment. Yang Fairuz has vast experience in sales, business development, operations, human resource and project management.

Qualification(s):
- Bachelor of Applied Science (Honours) Majoring in Geophysics, Universiti Sains Malaysia

Any directorship in public companies and public listed companies:
- Independent Non-Executive Director of Iraya Digital Sdn Bhd (formerly known as Geomodl Sdn Bhd)

Any family relationship with any director and/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

PROFILE OF SENIOR MANAGEMENT TEAM (Cont'd)

Malaysian | 47 | Female

Date of appointment to present position:
1 February 2018

IDA MARIANNA ABDUL RASHID

Strategic Planning Director

Working experience:
Ida Marianna was appointed as Director of Strategic Planning in February 2018. Her main role is to direct and oversee Pharmaniaga's strategic and long-range goal planning function, drive strategic initiatives, and support the development of long-term growth plans and profitability goal. Joining Pharmaniaga, she brought with her more than 25 years of vast corporate and international experience in various disciplines.

Ida started her career as a Research Executive, with Nielsen Malaysia, a market research agency, before venturing into the oil & gas industry. Fulfilling her obligation as a PETRONAS scholar, she was attached to Malaysia national oil company for 8 years in multiple roles, which includes HR & Admin, development of refinery linear programming (LP) model and managing the overall business planning process for PETRONAS Downstream business. Her last portfolio was Strategic Planning Analyst for Oil Business in the Vice President's Office, before spreading her wings to acquire international experience.

Subsequently, Ida joined a US independent oil company, Hess Corporation (Hess) as a Senior Business Analyst for Southeast Asia, before she was promoted to lead the Asia Pacific exploration planning function. Ensuing to her planning roles, she further diversified her professional skills by advancing into the role of Asia Pacific Global Negotiation and Commercial Advisor. Leveraging on Ida's strength and versatile capability, she was appointed as Head of Communications and External Affairs for Hess Asia where she was a member of the Asia Leadership Team, reporting directly to the Country Head and Vice President for Asia. She is also a trained spokeperson for crisis management and media relations.

Qualification(s):
- Bachelor of Science (Honours) Majoring in Genetics, Universiti Malaya

Any directorship in public companies and public listed companies:
None

Any family relationship with any director and/major shareholder of the Company:
None

Any conflict of interests with the Company
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

Malaysian | 41 | Female

Date of appointment to present position:
1 January 2017

WAN INTAN IDURA WAN ISMAIL

Corporate Governance Deputy Director

Working experience:
Wan Intan Idura joined Pharmaniaga in 2010 as Assistant Manager, Legal Department and become Head of Legal Department in 2012.

She continued to expand her career in Pharmaniaga by developing relevant skills and knowledge and was subsequently promoted as Deputy Director, Corporate Governance Division in 2017. She has been appointed as the Company Secretary of Pharmaniaga Berhad on 19 November 2019 and is responsible for all legal and secretarial services of the Company.

She was admitted to the Malaysian Bar in 2006. With more than 15 years of experience as an in-house legal counsel, she has vast experience in both local and international dealings within the pharmaceutical, information technology solutions, manufacturing and automotive industries.

Qualification(s):
- Licensed Company Secretary (LS 0010452)
- Admission to Malaysian Bar in 2006
- Bachelor of Laws (Honours), Universiti Teknologi MARA

Any directorship in public companies and public listed companies:
None

Any family relationship with any director and/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

PROFILE OF SENIOR MANAGEMENT TEAM (Cont'd)

Malaysian | 59 | Male

Date of appointment to present position:
1 January 2015

ZAKARIA DAUD

President Director
PT Errita Pharma

Working experience:
Zakaria was appointed as the President Director cum Head of Plant for PT Errita Pharma, a subsidiary of Pharmaniaga International Corporation Sdn Bhd on 1 January 2015. He is responsible for overseeing the manufacturing and sales of Pharmaniaga's pharmaceutical products in Indonesia.

Prior to relocating to Indonesia, Zakaria was the Head of Plant at Idaman Pharma Manufacturing Sdn Bhd at Seri Iskandar, Perak. He has over 30 years of experience in the field of sales, supply chain management, customer service and logistics, amongst others at local, ASEAN and Asia level.

Qualification(s):
- Bachelor of Pharmacy (Hons), Universiti Sains Malaysia

Any directorship in public companies and public listed companies:
None

Any family relationship with any director and/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

Malaysian | 51 | Male

Date of appointment to present position:
16 July 2020

AHMAD ABU BAKAR

President Director

PT Millennium Pharmacon International Tbk

Working experience:

Ahmad was appointed as the President Director of PT Millennium Pharmacon International Tbk (PT MPI Tbk) at the Annual General Meeting and Extraordinary General Meeting on 16 July 2020. Prior to this, he was a Director of the Company since 29 September 2011.

Prior to joining PT MPI Tbk, he was the branch manager of Pharmaniaga Logistics Sdn Bhd's northern branch in Penang for seven years. While stationed there, he was responsible in running and managing the logistics and distribution operations of the branch, which served customers mainly in the four northern states of peninsular Malaysia.

He graduated from Bradford University, United Kingdom with a degree in Pharmacy in 1993 and is a registered pharmacist in Malaysia. He spent one year as a preliminary registration pharmacist at Bradford Royal Infirmary and Lipha Pharmaceutical Ltd, United Kingdom.

He has more than 25 years of pharmaceutical experience and has worked in various fields of pharmacy; namely retail and wholesale pharmacy, manufacturing, private hospital and part-time teaching of students pursuing a diploma in Pharmacy.

Qualification(s):

- Bachelor of Pharmacy (Honours), University of Bradford, England, UK

Any directorship in public companies and public listed companies:

None

Any family relationship with any director and/major shareholder of the Company:

None

Any conflict of interests with the Company:

None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:

None

PROFILE OF SENIOR MANAGEMENT TEAM (Cont'd)

Malaysian | 57 | Male

Date of appointment to present position:
1 October 2020

RAJA BADLI RAJA ABDULLAH

Head of Corporate Finance

Working experience:
Raja Badli was appointed as Head of Corporate Finance in October 2020. His main role is to strengthen the company financials and enhance the value of Pharmaniaga group of companies.

With more than 30 years of experience in the banking industry, he has held several positions in Maybank starting from 1982 to 2015.

Raja Badli expanded his career as Director of Finance in a private company in 2015. With his extensive experience of more than 25 years in Finance, he joined FELCRA Berhad as General Manager (Strategy & Finance) in 2017. Subsequently, he held the position of Chief Strategic Officer, Group Chief Financial Officer (acting) and Group Managing Director for Felcra International Ventures; an off-shore company. Raja Badli was also on the Board of FELCRA's six subsidiaries in 2017.

Qualification(s):
- Bachelor of Business Administration in Finance, Universiti Teknologi MARA
- Diploma in Banking Studies, Universiti Teknologi MARA

Any directorship in public companies and public listed companies:
None

Any family relationship with any director and/major shareholder of the Company:
None

Any conflict of interests with the Company:
None

Other than traffic offences, any convictions for the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:
None

“ Discipline is the most important thing in human life and has to be the main priority ”

Tun Hussein Onn

do it RIGHT
campaign pharmaniaga
ALWAYS

NURTURING LEADERS

"WE CULTIVATE LEADERSHIP MINDSET AMONGST ALL LEVELS WITHIN THE ORGANISATION BY TAPPING ON INDIVIDUAL TALENTS AND STRENGTHS. AS WE DEVELOP FUTURE LEADERS, THE COMPANY BENEFITS FROM MORE ACCOUNTABILITY AND RESPONSIBILITY"

MANAGEMENT DISCUSSION & ANALYSIS
CHAIRMAN'S STATEMENT

DATO' SRI MOHAMMED SHAZALLI RAMLY
Non-Independent
Non-Executive Chairman

Dear Shareholder,

As the world was gripped by COVID-19 in 2020, the pandemic underscored the importance for Pharmaniaga, as a most reliable leader in Malaysia's pharmaceutical technology and distribution sectors, to uphold its resolve to fulfil its fundamental objectives. These can be distilled to three key commitments: supporting healthcare needs through products and services; driving the sustainable growth of the Group; and enhancing value for all our shareholders, including our major shareholders Lembaga Tabung Angkatan Tentera and Boustead Holdings Berhad, in order to benefit the members of the Armed Forces.

With these commitments propelling the Group, I am grateful to note that despite the volatile environment, Pharmaniaga was able to weather through the uncertainties and its course. This was achieved by strengthening capabilities to deliver relevant, accessible, high-quality healthcare solutions for clientele in Malaysia and international markets.

This year we have redoubled our efforts in supporting the nation and safeguarding the *Rakyat* by focusing on our operational excellence in distribution of medical supplies during this critical time, as well as through our participation in the Government's COVID-19 vaccination programme. This is aptly encapsulated in our theme for this year's annual report, *Protecting the Nation*.

On this note, I am honoured to present my inaugural statement as Chairman of Pharmaniaga, following my appointment in March 2021. Building on a strong foundation of operational excellence, I look forward to guiding the Group forward to reach greater heights of success.

ELEVATING PHARMANIAGA

While indeed challenging, the pandemic reignited in the Group a strong spirit of innovation. Recognising the need to adapt to the changing landscape to strengthen prospects, Pharmaniaga continues to pursue new avenues of growth.

To this end, showcasing our proven track record as a leader in science and technology, the Group has embarked on five iconic initiatives comprising the following:

1. **Halal Manufacturing and Technology**
   Strengthening our role in the Halal industry as the Government appointed fill and finish manufacturer and distributor for the COVID-19 vaccine; establishing the first Halal vaccine manufacturing facility in Malaysia and in the world; and establishing the first national Halal insulin fill and finish facility in Malaysia;

2. **Digital/Omnichannel Pharmaceutical Value Chain**
   Developing the largest digital/omnichannel pharmaceutical value chain and ecosystem to provide a comprehensive range of relevant products and services, accessible for all Malaysians;

3. **Unmanned Aerial Vehicles**
   Exploring the usage of drones in the pharmaceutical logistics supply chain, enabling the safe delivery of life-saving drugs and medical supplies to areas where poor infrastructure and other challenges can limit patient access;

4. **SMART Supply Chain Management**
   Implementing SMART Supply Chain Management to further enhance performance, cost and operational efficiencies; and

5. **Veterinary Business and Modernisation**
   Venturing into the veterinary business via the establishment of the Pharmaniaga Animal Biologic Innovation Centre as a future new revenue stream.

Tapping on viable opportunities and strong growth potential, these initiatives will lead Pharmaniaga forward as a well-established technology-driven pharmaceutical company.

DISRUPTIVE LANDSCAPE

The unprecedented global crisis of COVID-19 has brought about widespread disruptions, affecting sectors across the world. On the international stage, we witnessed a contraction of 3.5% in global gross domestic product (GDP) in 2020 as the pandemic caused significant impact on regional markets and economies. This was particularly pronounced in the first half of the year as country-wide lockdowns and preventive measures were instituted to contain the virus, disrupting economic

FIVE ICONIC INITIATIVES

HALAL MANUFACTURING AND TECHNOLOGY

DIGITAL/ OMNICHANNEL PHARMACEUTICAL VALUE CHAIN

UNMANNED AERIAL VEHICLES

SMART SUPPLY CHAIN MANAGEMENT

VETERINARY BUSINESS AND MODERNISATION

MANAGEMENT DISCUSSION & ANALYSIS

CHAIRMAN'S STATEMENT (Cont'd)

The first 200-litre bulk Sinovac COVID-19 vaccine delivered to our small volume injectable plant in Puchong upon arrival from Beijing, China

activity. Global economic output only started to improve in the latter half of the year, as the situation began to ease and regional markets started to see a recovery. However, this was tenuous as many countries suffered through subsequent waves of COVID-19 outbreaks.

The Malaysian economy was not spared the fallout of the pandemic, with GDP shrinking by 5.6% in 2020. Economic activity plunged in the face of stringent movement restrictions to curb COVID-19 cases, with widespread disruption for businesses. While this was cushioned somewhat by Government stimulus measures, nearly all economic sectors experienced a decline given the difficult landscape. The pharmaceutical sector, while considered essential, also experienced challenges such as the lower number of people visiting healthcare facilities and operational disruptions due to the movement restrictions, amongst others.

Nevertheless, as vaccination programmes have begun on a global scale in 2021, prospects are expected to see an improvement, albeit at a gradual pace as the world continues to see new waves of COVID-19 cases.

Despite the impact to the Group due to the volatile environment, we have remained steadfast in our goal of *Protecting the Nation*, playing an instrumental role in supplying the COVID-19 vaccine to the *Rakyat*.

FINANCIAL PERFORMANCE

Despite the challenging environment, the Group remained resilient given our essential role in the healthcare sector. Testament to this, we recorded a revenue of RM2.7 billion for the financial year ended 31 December 2020.

We clocked in a strong profit before zakat and taxation (PBT) of RM36 million, a significant improvement from the deficit in the previous year. Our positive earnings for the year under review were also supported by better contributions from the private sector due to the increasing demand for personal protective equipment (PPE) in response to the COVID-19 outbreak.

As we actively supported our nation's frontliners during the pandemic, we took a conscious effort to secure the supply of critically-needed PPE. We also played an integral role in the distribution of donated COVID-19 related items to the Ministry of Health (MOH) facilities, valued over RM5.5 million.

Market capitalisation stood at RM1.3 billion while shareholders' funds came in at RM338 million as of 31 December 2020. Net assets per share were RM1.29.

Work from home was implemented across the Group to restrict the transmission of COVID-19

DIVIDEND

We are dedicated to delivering shareholder value through consistent dividend payouts. To this end, the Board of Directors declared a fourth interim dividend of 1 sen per share, paid on 22 April 2021 to shareholders on the register as at 31 March 2021. This brings total dividend for the year to 11 sen per share.

HUMAN CAPITAL

As the backbone of Pharmaniaga, our employees are vital to our resilience and success. We are dedicated to equipping our talent pool with the requisite skillsets to lead us forward.

Currently, we have a total of 3,603 employees across our Malaysian and Indonesian operations. Leveraging on our expertise as Malaysia's leading technically viable pharmaceutical company, this includes almost 300 subject matter experts in various disciplines, comprising pharmacists, chemists, regulatory affairs and clinical affairs specialists.

To enable all our employees to continue sharpening their capabilities, we have a range of leadership and talent development programmes in place, providing opportunities to hone both soft skills and technical skills. To promote knowledge-sharing, we leveraged on virtual platforms where employees were able to communicate and convey key learnings to their fellow colleagues effectively.

In our commitment to build talent within the value chain, we continued nurturing young Malaysians under the Professional Training and Education for Graduating Entrepreneurs (PROTÉGÉ) programme during the year. Throughout the eight-month programme, trainees receive in-depth hands-on experience as they are exposed to various functions across our operations. Since its inception, 264 PROTÉGÉ interns have benefitted from the programme.

In addition to implementing comprehensive measures throughout our operations in compliance with Government requirements to safeguard our employees, we put in place the necessary infrastructure and provided devices to allow them to work from home, ensuring continuity of the business operations. We also made it mandatory for employees to undergo COVID-19 swab tests, with costs borne by the Group.

MANAGEMENT DISCUSSION & ANALYSIS
CHAIRMAN'S STATEMENT (Cont'd)

BUSINESS SUSTAINABILITY

Sustainability is integral to the Group, forming the foundation for our long-term growth and enabling us to remain resilient even in challenging times.

We continued to future-proof the business through Industry 4.0 technologies embedded within our operations, in tandem with various key strategies, including:

1. Ensuring competitive pricing for our high-quality generic pharmaceutical products and adopting a lean model for cost effectiveness. Our first to market strategy also enables us to leverage on patent expiry, supported by our research and development efforts which allow us to develop complex, high-value products.

2. Keeping abreast of the latest regulatory requirements and continously adhering to new requirements, particularly in terms of bioequivalence studies, in compliance with the stringent standards of the National Pharmaceutical Regulatory Agency. This also applies to the quality of our raw materials, whereby we undertake comprehensive testing and studies to ensure that we fulfil all requirements. In line with our *Do It Right* philosophy, our *Right First Time* approach to product development involves cost optimisation across our operations, while selecting raw ingredients that meet rigorous pharmaceutical product development standards.

3. Strengthening our presence in niche market segments such as vaccine manufacturing, for which we have allocated significant capital expenditure due to the high barriers of entry. Through investment and strategic partnerships, Pharmaniaga is also making inroads into other niche biopharmaceutical segments.

A proud moment when Pharmaniaga inked an agreement with the Government of Malaysia to supply 12 million doses of Sinovac COVID-19 vaccine

4. Enhancing marketing intelligence to adapt to evolving healthcare requirements for both local and international markets.

5. Expanding our pipeline of Halal products, targeting for the global Halal sector, as well as for other markets given the high product quality and safety standards of Halal-certified products.

6. Continuous innovation for over the counter products, coupled with a differentiation strategy to highlight the benefits of our range of products.

These targeted strategies have enabled us to drive business sustainability during the challenging year. We will continue to tap on opportunities in these key areas in order to enhance prospects for the Group. We shall also embrace modernisation in our processes with strong inclusion of digitalisation in our journey for greater excellence.

OUTLOOK

The global economy is indeed on stronger footing as vaccine distribution has commenced. Reports by the World Bank indicate a return to growth in 2021, projecting a 4% GDP expansion. Correspondingly, a more encouraging outlook is expected for the Malaysian economy, with GDP projected to grow between 6% to 7.5%.

Containing the spread of the virus remains a priority and with the Government's National COVID-19 Immunisation Programme now underway, the second half of the year is set to see better progress in the nation's economic recovery.

Taking on a key role in the programme, Pharmaniaga entered into an agreement with the Government in March 2021 to supply 12 million doses of the Sinovac COVID-19 vaccine to be filled and finished at our small volume injectable plant in Puchong, Selangor. This marks a milestone not only for Pharmaniaga, but for the nation, as this is the first human vaccine in history to be filled and finished in Malaysia. We are making significant progress as this European Union certified plant was successfully retrofitted and repurposed for fill and finish manufacturing of the COVID-19 vaccine.

The first batch of the Sinovac COVID-19 vaccine in bulk arrived in February 2021. We successfully manufactured Process Validation (PV) batches and undertook a stability study to monitor the safety, quality and efficacy of the product throughout its shelf-life. The results of the study have been submitted to NPRA for evaluation and approval. The sterile aseptic filling operation for the PV batches indicated a high yield rate. Fill and finish manufacturing activities are in progress, with distribution of the vaccine planned for May 2021.

The Government granted conditional approval for Pharmaniaga's application of the Sinovac COVID-19 finished product in March 2021. To date, 400,000 doses of the finished products have been supplied to the Ministry of Health in support of the Government's National COVID-19 Immunisation Programme. We are also proud to announce that Pharmaniaga LifeScience Sdn Bhd's filled and finished Sinovac COVID-19 vaccine has successfully obtained conditional approval from the Drug Control Authority on 23 April 2021.

In the long term, Pharmaniaga is optimistic that we will be able to achieve sustainable growth. The Group's contract with MOH for the provision of medicines and medical supplies remains in effect until November 2024. In tandem, we are well-poised to pursue new avenues of growth in both domestic and overseas markets as the global healthcare, public and private sectors present new opportunities.

ACKNOWLEDGEMENT

In a year full of uncertainties and challenges, Pharmaniaga weathered through a volatile environment commendably. This could not have been accomplished without the strong guidance of our Board members, who demonstrated great resilience and agility during this global crisis. We also thank our Management team and employees for their commitment and dedication in ensuring the Group's goals are accomplished successfully.

The team's continuous effort to deliver the best to our clientele and the *Rakyat* is reflected by the accolades bestowed upon the Group during the year. This included the Halal Pharmaceutical Excellence Award, the Excellence in Pharmaceutical Award, Malaysia's 100 Leading Graduate Employers Awards 2020 and the CXP Best Customer Experience Awards 2020. These recognitions are a testament to the calibre of our leadership and capable talent pool driving us forward.

On this note, I would like to take this opportunity to express the Group's appreciation to our former Chairman Datuk (Dr.) Hafsah Hashim and former Directors, Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired), Brigadier General Dato' Mohd Shahrom Mohamad (Rtd.), Datuk Koo Hock Fee, Dr. Salmah Bahri and Dato' Mohd Zahir Zahur Hussain, for their invaluable expertise and guidance.

As we embark on a new chapter for the Group, we welcome our new Independent Non-Executive Directors, Dato' Dr. Najmil Faiz Mohamed Aris, Datuk Dr. Azhar Ahmad, Dr. Abdul Razak Ahmad, Zulkifli Jafar and Zainal Abidin Shariff, as well as Non-Independent Non-Executive Director, Izaddeen Daud to the Board.

Our sincere gratitude to our key client, the Ministry of Health, Ministry of Science, Technology and Innovation, Ministry of Defence, as well as other clientele, our major shareholders Lembaga Tabung Angkatan Tentera and Boustead Holdings Berhad, our partners, bankers and the relevant authorities in Malaysia and internationally, for placing their trust in Pharmaniaga.

DATO' SRI MOHAMMED SHAZALLI RAMLY
Non-Independent Non-Executive Chairman

MANAGEMENT DISCUSSION & ANALYSIS
GROUP MANAGING DIRECTOR'S REVIEW

CORE BUSINESSES:

RESEARCH & DEVELOPMENT

MANUFACTURING

LOGISTICS & DISTRIBUTION

COMMERCIAL

COMMUNITY PHARMACY

INDONESIA OPERATIONS

Dear Shareholder,

As Malaysia's leading integrated pharmaceutical company, Pharmaniaga plays a crucial role in supporting the health of the *Rakyat* through our products and services. In responding to the COVID-19 crisis, we were guided by our motto, *Passion for Patients* in navigating through the pandemic. This allowed us to persevere through significant challenges to uphold our promise, adapting to the new environment to continue our operations and deliver vital healthcare products, which was integral during this difficult time.

Adjusting to new norms during the pandemic, we continued to progress in our strategy for long-term growth. This included pursuing opportunities to expand our product pipeline and accelerate our vaccine business, in addition to our ongoing drive to enhance efficiencies at our manufacturing facilities and across our operations, both domestically and internationally.

PROTECTING THE NATION

Our theme for this year's Annual Report, *Protecting the Nation*, reflects our role in supporting the healthcare needs of the *Rakyat* during the pandemic and through the supply of the COVID-19 vaccine.

Pharmaniaga was honoured to be selected by the Government for the fill and finish manufacturing of the Sinovac COVID-19 vaccine. Demonstrating our proven capabilities, we were entrusted to partner with Sinovac Life Sciences Co Ltd which is providing the know-how and transfer of technology. With this collaboration, the Group is also the primary distributor of the Sinovac COVID-19 vaccine along with other vaccines in Malaysia. We remain committed to playing our role in protecting the *Rakyat* and the nation through our dedicated efforts.

ELEVATING PHARMANIAGA

With the pandemic sharpening our focus towards strengthening resilience and driving value creation, we are focused on the sustainable long-term growth of Pharmaniaga.

To achieve this, we will continue to fortify our strategies to capitalise on opportunities, such as vast prospects for Halal medicines backed by our research and development expertise, as well as leveraging on digitalisation and advanced technologies. With iconic initiatives in place to propel us forward, the outlook ahead is indeed bright for the Group.

FINANCIAL PERFORMANCE

Although we were faced with numerous challenges, the Group closed the financial year with a solid revenue of RM2.7 billion. We strengthened our earnings growth in 2020, registering a higher profit after taxation (PAT) of RM26 million. This reflects a jump of 118% in PAT compared with the deficit of RM149 million recorded in the previous financial year. This was due to the full recognition of remaining unamortised Pharmacy Information System (PhIS) costs amounted to RM247 million in 2019, a one-off non-cash item.

OPERATIONAL HIGHLIGHTS

Against a complex and volatile operating environment, we remained firm to continue serving the needs of our clientele with high-quality healthcare products and services.

Reflecting on our proven track record, amidst the pandemic we were honoured to be selected by the Ministry of Health (MOH) to manage nationwide logistics and delivery of COVID-19 related medical supplies. Much-needed items such as ventilators worth RM36 million procured by the Government, Yayasan Hasanah and the GLC Disaster Relief Network (GDRN), as well as other medical equipment needed for critical care donated by Non-Governmental Organisations (NGOs) and other agencies were distributed to MOH facilities across Malaysia.

Showcasing our manufacturing expertise, our small volume injectable plant in Puchong was selected by the Government for fill and finish manufacturing of the Sinovac COVID-19 vaccine, after a series of discussions followed by visits from the Ministry of Science, Technology and Innovation (MOSTI), the Halal Development Corporation Berhad (HDC) and the Malaysian Investment Development Authority (MIDA). Retrofitting and repurposing the facility were

DATUK ZULKARNAIN MD EUSOPE
Group Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

GROUP MANAGING DIRECTOR'S REVIEW (Cont'd)

TO DATE, WE RECEIVED HALAL CERTIFICATION FOR 163 PRODUCTS ACROSS FIVE HALAL-COMPLIANT MANUFACTURING SITES, ENABLING US TO CATER TO ROBUST DEMAND IN THE HALAL MARKET

completed in December 2020, adhering to the requirements necessary for aseptic COVID-19 vaccine fill and finish manufacturing.

We continued to meet the performance standards of MOH by achieving 99.6% compliance for the provision of medicines and medical supplies. We maintained our extensive list of clientele from the Ministry of Higher Education (MOHE) comprising university hospitals, as well as supplying selected products to the Ministry of Defence and Lembaga Tabung Haji.

Demonstrating our commitment to excellence, our Customer Satisfaction Survey with MOH recorded increased ratings of 'Good' and 'Excellent' of 97% from respondents, marking our highest-ever rating since 2011. Similarly, we recorded 96% 'Good' and 'Excellent' survey ratings by MOHE customers.

As we strive to enhance our manufacturing capabilities, our small volume injectable plant in Puchong is the only manufacturing plant in Malaysia equipped with lyophilised technology. Coupled with European Union (EU) certification, the plant's cutting-edge technology allows us to further expand our international reach.

Progressing towards our aspiration to become a leading Global Halal Pharmaceutical Provider, 23 of our products obtained Halal certification during the year. To date, we received Halal certification for 163 products across five Halal-compliant manufacturing sites, enabling us to cater to robust demand in the Halal market.

As we strive to expand our product portfolio to respond to evolving healthcare needs, as of 31 December 2020, we have registered a total of 403 products locally and in Indonesia, comprising 311 products and 92 products respectively.

During the year, the private sector segment was significantly affected by the COVID-19 outbreak, with a decline in demand in almost all therapeutic areas from April 2020. This was further compounded by temporary or partial closure of many private hospitals, clinics and some pharmacies. To remain resilient in this tough environment, we took the opportunity to cater to the surge in demand for PPE supplies, ventilators and other COVID-19 related medical equipment and products.

Supporting this, in August 2020, the healthcare sector began to see an improvement in demand. This was due to patients and consumers returning to healthcare facilities as movement restrictions started to ease. This resulted in double-digit growth for our key generic brands. Hence, our private sector business registered record-high sales for the year.

In our overseas operations, we recorded progress in our Indonesian business despite the challenging environment. Our logistics and distribution arm, PT Millennium Pharmacon International Tbk (MPI) registered a marginal decline in sales of 3%, in addition to expanding to a total of 33 MPI branches.

Meanwhile, our manufacturing arm PT Errita Pharma (Errita) successfully commercialised 13 products for the Indonesian market. We also commissioned three automated strip cartoning machines for solid line at our general plant.

COMPLIANCE CULTURE

Driven by our corporate values of *Respect, Integrity, Teamwork and Excellence*, we strive to uphold the highest standards across our operations and business practices. Testament to this, a strong compliance culture and corporate governance framework have been cultivated throughout the Group.

In line with our commitment to ensure a safe and conducive working environment for employees, we extended the ISO 45001:2018 Occupational Health and Safety Management Systems certification to our Section 15, Shah Alam warehouse.

Rating of 'Good' & 'Excellent' in the Customer Satisfaction Survey

97%
MOH

96%
MOHE






Pharmaniaga is home to almost 300 technical experts comprising pharmacists, chemists, regulatory affairs and clinical affairs specialists

In our manufacturing facilities, the Pharmaniaga Integrated Quality System (PIQS) allows us to uphold regulatory compliance in our manufacturing quality systems. To reinforce awareness on Good Pharmacovigilance Practices, we conducted pharmacovigilance training across all our subsidiaries.

As 2020 marked the sixth year of our *Do It Right* campaign, we kicked off with the inspiring new theme of 'Engage and Measure', based on the results of our *Do It Right Always* (DIRA) Survey which identified key areas of improvement to instil a stronger DIRA mindset within our talent pool and organisational culture.

Extending our compliance culture to our Indonesian operations, we retained the ISO 9001:2015 and ISO 14001:2015 certifications for our Quality Management System and Environmental Management System respectively. In addition, the *Do It Right* philosophy was also adopted by both MPI and Errita.

NURTURING TALENT

Talent development is integral to the growth of a company, in addition to providing opportunities for employees to fulfil their potential. At Pharmaniaga, we place great emphasis on nurturing a skilled and highly engaged performance-driven talent pool.

With the goal of empowering young Malaysian talent, we welcomed 118 trainees into our industrial training programme in 2020, and recruited 42 participants under the PROTÉGÉ Programme.

To further build our talent pipeline, we deepened our relationship with various local tertiary institutions. Meanwhile, we continued to encourage university students to strive for academic excellence through the Book Prize and Convocation Awards.

We conducted activities on digital platforms to strengthen employee engagement and uphold good camaraderie. These included Merdeka and Malaysia Day video contests and an E-Game Tournament. We also bestowed Long Service Awards, recognising employees serving more than 15 years in appreciation of their loyalty and years of dedication.

MANAGEMENT DISCUSSION & ANALYSIS
GROUP MANAGING DIRECTOR'S REVIEW (Cont'd)

Pharmaniaga LifeScience Sdn Bhd, our small volume injectable plant has been repurposed and retrofitted for fill and finish manufacturing of Sinovac COVID-19 vaccine

SUSTAINABILITY COMMITMENT

Embedded within the foundation of the Group, our firm commitment to sustainability enables us to pursue our growth objectives in a responsible manner, contributing positively to society and minimising our impact on the environment. Driven by our economic, environmental and social pillars, we continue to propel our sustainability agenda forward.

Our stand-alone Sustainability Report encapsulates our progress and achievements throughout the year. As we progress in our journey of sustainability, we strive to enhance our efforts to create more meaningful impact across our operations.

PROMISING FUTURE

In the year ahead, the fight against COVID-19 remains our foremost priority as we support the Government's efforts to safeguard the *Rakyat*. We are honoured to supply MOH with 12 million doses of the Sinovac COVID-19 vaccine. Our small volume injectable plant was repurposed and retrofitted, and has undergone all necessary inspections and approvals to adhere to the Good Manufacturing Practice and regulatory requirements for COVID-19 vaccine fill and finish manufacturing, as approved by the National Pharmaceutical Regulatory Agency.

Our plans to establish the world's first Halal vaccine facility are progressing well, in close collaboration with MIDA and HDC. The Halal vaccine project has been selected as a pioneer initiative for the purposes of policy and incentives development.

With the facility targeted for completion by 2022, we aim to create a new revenue stream in 2024 for the Group, while generating multiple positive spillover benefits which includes improving our nation's pandemic preparedness towards cultivating a sustainable vaccine supply chain.

In addition, it will provide opportunities for upskilling local talent, whilst increasing accessibility to affordable vaccines for both local and international markets. This will subsequently position Malaysia as a global vaccine manufacturer.

Moving forward, we have allocated more than RM100 million for capital expenditure. This will focus on iconic initiatives, such as becoming the first Halal vaccine manufacturer and developing a digital/omnichannel pharmaceutical value chain. We will also utilise advanced technology such as drones in our logistics supply chain, as well as accelerate our efforts in the consumer healthcare segment to take a pole position in the market for our over the counter and health supplement products.

This will be supported by strategic branding activities via promotions on billboards and digital platforms, amongst other relevant mediums. We will continue to pursue opportunities for growth in our public and private sector businesses, as well as international markets.

MOVING FORWARD, WE HAVE ALLOCATED MORE THAN RM100 MILLION FOR CAPITAL EXPENDITURE

Further to this, in line with our objective to broaden our international footprint, we aim to reinforce our presence in Indonesia, catering to the country's population growth and increasing demand for healthcare products.

The following pages of this report provide a detailed review of our key growth drivers and highlights for 2020, aptly illustrating how our strong fundamentals have allowed us to progress even during this tough year. Driven by our strategic plans, the Group is committed to realising our aspirations for long-term sustainable growth to continue enhancing value for our shareholders.

Pharmaniaga has invested approximately RM3 million on equipment and technology for COVID-19 vaccine fill and finish manufacturing

The success that we have achieved is the direct result of our talent pool. Our sincere thanks to our Management team and our employees for their dedication and commitment.

We are pleased to have Dato' Sri Mohammed Shazalli Ramly at the helm as Chairman to steer us forward. With his in-depth experience in various fields, we look forward to reaching greater heights.

Our deepest appreciation to the Ministry of Health for their continued trust in Pharmaniaga. Leveraging on our proven capabilities and expertise in manufacturing, as well as logistics and distribution, we are honoured to provide our support via the distribution of COVID-19 related items and the fill and finish manufacturing of the Sinovac COVID-19 vaccine.

Last but not least, as we strive to deliver on our brand promise, we would like to thank our clientele, business partners, bankers, suppliers, shareholders and relevant authorities for their continued support.

DATUK ZULKARNAIN MD EUSOPE
Group Managing Director

OPERATIONS REVIEW

OPERATIONS REVIEW

MANUFACTURING

AS THE NATION'S LEADING TECHNICALLY VIABLE PHARMACEUTICAL COMPANY, INNOVATION AND TECHNOLOGY ARE KEY DRIVERS OF PHARMANIAGA. COUPLED WITH A STRONG TALENT POOL TO PROPEL US FORWARD, OUR RESEARCH AND DEVELOPMENT EFFORTS, AS WELL AS OUR TECHNICAL CAPABILITIES CONTRIBUTE TO OUR AIM OF *PROTECTING THE NATION*.

DESPITE THE IMPACT ON PUBLIC AND PRIVATE SECTOR DEMAND DURING THE YEAR, WE REMAINED RESILIENT AND CONTINUED TO LEVERAGE ON OUR EXPERTISE IN RESEARCH AND DEVELOPMENT, ALONG WITH OUR BROAD MANUFACTURING CAPABILITIES TO PRODUCE PRODUCTS IN VARIOUS FORMS; FROM ORAL SOLIDS, LIQUIDS AND CREAMS TO SMALL VOLUME INJECTABLES. OUR PRODUCT PORTFOLIO ENCOMPASSES A DIVERSE SEGMENT OF THERAPEUTIC AREAS SUCH AS CARDIOVASCULAR, ANTI-DIABETIC, ANTIBIOTICS, ANTIVIRALS AND OVER THE COUNTER (OTC) PRODUCTS, AMONGST OTHERS.

WITH STRINGENT COST CONTROL PROCESSES IN PLACE, THE DIVISION RECORDED A PROFIT BEFORE ZAKAT AND TAXATION OF RM10 MILLION DESPITE THE CHALLENGING ECONOMIC ENVIRONMENT.

44 products successfully registered

Fill & finish manufacturing of Sinovac COVID-19 vaccine

RESEARCH & DEVELOPMENT

Research and Development (R&D) is a fundamental pillar of our business. Driven by our motto, *Passion for Patients*, we strive to provide a wide range of generic healthcare products in various therapeutic segments, delivering affordable, accessible products to the *Rakyat*. Spearheaded by our 10-Year Development Programme with more than 200 products in the pipeline to date, we are determined to contribute to the betterment of public health.

In tandem with ensuring accessibility and affordability, we develop products in numerous therapeutic categories that possess similar characteristics to existing approved brand name products, in terms of dosage form, safety, strength, route of administration, quality and performance. Our in-house generic product development allows us to offer an affordable alternative to expensive innovator drugs, without compromising on product quality, safety and efficacy.

Our R&D efforts adhere to the standards and recommendations of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use. We have always been committed to providing high-quality healthcare products through stringent processes, even prior to our registration with the National Pharmaceutical Regulatory Agency (NPRA). Our R&D facility continues to maintain ISO/IEC 17025: 2017 Laboratory Quality Management Systems certification by upholding high standards of competency, impartiality and consistency throughout our operations.

Given our strong R&D commitment, we have been able to continually enlarge our portfolio of quality products in line with consumer needs. The Group's total registered products include in-house product development and third party registration for trading, totaling 311 products. During the year, we successfully registered 31 new products locally in several categories, namely scheduled poisons, biologics, OTC, health supplements, cosmetics, medical devices and food supplements.

On the international front, we have received approval for 13 new products, bringing our total number of approved export registrations to 190 products spanning 15 countries.

Additionally, we have submitted 39 product registration applications locally to the NPRA. Meanwhile, internationally, we have submitted 17 product registration applications across six countries.

We introduced three new OTC products during the year; namely Idamol tablet, Actimol suspension and Citrex cough syrup. We also obtained approval for our natural sweetener SweetRoyale Stevia in the form of tablets and drops, with plans underway to introduce this to the market in 2021.

In delivering the high levels of product quality for which our business is known, we ensure that our generic products are clinically interchangeable with innovator products. This is ascertained through bioequivalence studies that are conducted for each product in adherence to Good Clinical Practice. To date, we have successfully attained bioequivalent status for 70 products, with an additional nine products currently undergoing evaluation by NPRA.

Apart from conventional generic products, we recently expanded into new segments and therapeutic areas, including vaccines, insulin and complex biologics. We also secured a strategic partnership with an international research organisation to produce various niche and complex products, allowing us to maintain our competitive edge.

Driven by our mission to provide quality products and superior services led by a highly capable team of committed and caring employees, we develop high-quality generic pharmaceutical products in compliance with all relevant regulatory and statutory requirements.

Supported by a strong pool of young, skilled talent from various technical streams, we continue to ensure that our products are efficacious and robust in terms of consistency and reproducible product quality for local and international markets. Further to this, we are dedicated to nurturing our talent pool through continuous technical training and upskilling opportunities.

We leverage on technical know-how and capabilities to enhance the Group's prospects. Moving forward, we are focused on strategically building up our product portfolio and diversifying further into biopharmaceutical product segments in order to achieve long term business sustainability.

SPEARHEADED BY OUR 10-YEAR DEVELOPMENT PROGRAMME WITH MORE THAN 200 PRODUCTS IN THE PIPELINE TO DATE, WE ARE DETERMINED TO CONTRIBUTE TO THE BETTERMENT OF PUBLIC HEALTH

OPERATIONS REVIEW

MANUFACTURING (Cont'd)

OUR OPERATIONS

We have built a strong reputation as a provider of quality products and services with a commendable presence in the public, private and consumer sectors across Malaysia as well as in overseas markets.

As we journeyed through the challenging operating environment of 2020, we were guided by our motto of *Passion for Patients*. Indeed, we were mindful of the importance of staying true to our values of ***Respect, Integrity, Teamwork** and **Excellence*** to ensure we optimised our manufacturing processes to deliver generic healthcare products that are innovative, cost competitive while at the same time, of high quality.

We are committed to deliver the highest level of quality to fulfil the needs of our clientele and a critical component of this endeavour is our Pharmaniaga Integrated Quality System (PIQS). An important foundational element throughout our various manufacturing sites, our PIQS has been in place since 2016 to ensure that we apply stringent regulatory compliance to our manufacturing quality systems across all manufacturing sites.

PIQS also provides better market access for export activities while enabling cross-referencing between sites. To-date, we have determined 12 sub-projects under the PIQS which have been harmonised accordingly.

Our commitment to quality and safety across the pharmaceutical supply chain is evident in our dedication to ensuring that we maintain our manufacturing license for our sites in adherence with Good Manufacturing Practices (GMP). Over the years, audits by our internal regulatory compliance team as well as external audits by the national regulatory agency took place at our manufacturing sites. We are pleased to note that we received positive results for both forms of audit.

We are committed to product quality, safety and efficacy

Ensuring the quality of raw materials is another important component of our commitment to the highest standards of quality. We undertake strategic price negotiations with vendors on raw materials as well as packaging materials, resulting in greater efficiency and lower costs whilst ensuring zero compromises on quality. As a result, we have benefitted from better economies of scale as well as improved synergies through optimised operational efficiencies and bulk purchasing of raw materials.

As a further initiative to improve cost savings, we also looked into the use of solar panels, which enabled us to reduce electricity cost. As a result of this and other such initiatives, we generated savings totalling RM2.7 million this year, allowing us to achieve cost optimisation and importantly, ensure profitability during the pandemic.

Our state of the art European Union certified plant in Puchong, Selangor, has the honour of being the only small volume injectable plant with lyophilised technology in the country. With this new advanced technology, we are on track to produce even more niche biopharmaceutical products locally.

Finished product sterility test

The safety of patients that are treated with our products is our utmost priority. Upholding our goal to enhance patient safety, we ensure no compromise when it comes to pharmacovigilance. We undertake a comprehensive assessment of all our products to determine potential side effects to eliminate or minimise them as much as possible, consistent with Good Pharmacovigilance Practices (GVP). Apart from this, we conducted pharmacovigilance training for all employees to inculcate Group-wide awareness of GVP, along with providing a platform to immediately report any news of product side effects.

In our pursuit to establish vaccine manufacturing in Malaysia, in October 2020, we entered into a Memorandum of Understanding (MOU) with Serum Institute of India Private Limited (SERUM). Ranked as India's number one biotechnology company, SERUM manufactures highly specialised lifesaving biologicals like vaccines using cutting edge genetic and cell-based technologies, antisera and other medical specialties. The MOU entails the purchase of the pneumococcal vaccine finished product and ready-to-fill bulk along with technology transfer from SERUM for fill and finish manufacturing by Pharmaniaga. This is to tap on SERUM's expertise and technological know-how for the fill and finish manufacturing in acordance with GMP guidelines. The vaccine is currently marketed in the private sector and is used to protect against devastating diseases caused by pneumococcal bacteria in new-borns and young children.

Aligned with our long-term goal to be a Global Halal Pharmaceutical Provider, Pharmaniaga's five Halal compliant manufacturing facilities in Malaysia have 163 registered Halal certified products to-date, to accommodate the growing Halal market locally and internationally.

Our expertise in manufacturing has been long established, as proven by our ability to produce a wide range of generic products in various dosage forms, such as oral solid, galenical, oral liquid and small volume injectable.

In light of the global outbreak of the COVID-19 pandemic, Pharmaniaga was chosen to partner with the Government to undertake the fill and finish manufacturing of the COVID-19

OPERATIONS REVIEW
MANUFACTURING (Cont'd)

The first 200-litre bulk Sinovac COVID-19 vaccine arrived in an envirotainer preserving the vaccine temperature between 2 to 8 degree Celsius

vaccine given our manufacturing capacity and proven capabilities. Following multiple visits by representatives from the Ministry of Science, Technology and Innovation (MOSTI), Halal Development Corporation Berhad (HDC) and the Malaysian Investment Development Authority (MIDA), our small volume injectable plant in Puchong, Selangor, was selected as the site for the fill and finish manufacturing of the COVID-19 vaccine. As of December 2020, we have successfully retrofitted and repurposed the facility for COVID-19 vaccine manufacturing. Our Puchong plant is also fully compliant with all regulatory requirements for sterile aseptic COVID-19 vaccine fill and finish manufacturing.

The first batch of the Sinovac COVID-19 vaccine in bulk arrived in February 2021. We successfully manufactured Process Validation (PV) batches and undertook a stability study to monitor the safety, quality and efficacy of the product throughout its shelf-life. The results of the study were submitted to the National Pharmaceutical Regulatory Agency (NPRA) for evaluation and approval. The sterile aseptic filling operation for the PV batches indicated a high yield rate. On 23 April 2021, conditional approval was successfully obtained from the Drug Control Authority for Pharmaniaga Lifecience Sdn Bhd's filled and finished Sinovac COVID-19 vaccine. Fill and finish manufacturing activities are in progress, while the first distribution of the filled and finished vaccine is planned for May 2021.

Our stringent regulatory compliance standards have been instrumental in securing the COVID-19 vaccine manufacturing license for our small volume injectable plant, in line with our *Do It Right* culture and *Right First Time* (RFT) approach, ensuring that PV batch manufacturing remained on time with no delays. In keeping with our RFT approach, this also facilitated approval from the NPRA for our Halal vaccine facility layout.

We worked diligently around the clock to obtain conditional approval for the Sinovac COVID-19 vaccine from imported sources and via our small volume injectable plant, addressing comprehensive questions from NPRA during the review process.

As a result of our efforts in ensuring the completed preparation of documents by all parties, we successfully reduced the registration review timeline to a period of 18 months for ethical drugs.

Further to this, we have invested significant resources in developing the required documents for our New Chemical Entity registration, in collaboration with the Drugs for Neglected Diseases Initiative and Pharco Pharmaceuticals. This covers key areas such as local risk management plans, package inserts and product information leaflets. Similarly, key documents were developed for local COVID-19 vaccine registration, in addition to the establishment of a Vaccine Reminder Card, a necessity for the vaccination process.

We are on track to establish the world's first Halal vaccine facility, expected to be completed by 2022. We have invested in the expansion of our vaccine manufacturing facility in Puchong, Selangor to ensure that it is well-equipped with the appropriate infrastructure to support the production of Halal vaccines. We have secured international partners from countries such as China, India, Korea, Russia and Thailand for technology transfer and knowledge sharing for the successful implementation of the project.

The COVID-19 pandemic caused various disruptions to the manufacturing sector as a whole. Despite this, we were able to continue manufacturing and supplying medicine in accordance with regulatory approvals and in adherence with stringent standard operating procedures. Testament to our commitment to ensuring the safety and wellbeing of our employees and the community, we put in place various measures, including a contact-free facial recognition system and conducting temperature screening at all entry and exit points. It is also mandatory to use hand sanitisers and face masks, with comprehensive physical distancing implemented across all premises with clear demarcation. We also implemented work from home, scheduled rotation for non-essential employees and routine Rapid Test Kit (RTK)-Antigen screening for employees.

WE ARE ON TRACK TO ESTABLISH THE WORLD'S FIRST HALAL VACCINE FACILITY, EXPECTED TO BE COMPLETED BY 2022

The first distribution of the filled and finished Sinovac COVID-19 vaccine is planned for May 2021

OPERATIONS REVIEW
LOGISTICS & DISTRIBUTION

LOGISTICS & DISTRIBUTION

WITH A SINGLE-MINDED FOCUS ON DELIVERING EXCELLENCE TO OUR CLIENTELE IN THE HEALTHCARE SECTOR, THE LOGISTICS AND DISTRIBUTION DIVISION MAINTAINED THIS COMMITMENT EVEN AMIDST THE CHALLENGING CIRCUMSTANCES CAUSED BY THE GLOBAL COVID-19 OUTBREAK IN 2020. WE WERE HONOURED TO BE ENTRUSTED BY THE MINISTRY OF HEALTH (MOH) TO DELIVER VITAL MEDICAL SUPPLIES SUCH AS VENTILATORS, PERSONAL PROTECTIVE EQUIPMENT (PPE) AND MEDICINES TO HEALTHCARE FACILITIES THROUGHOUT THE NATION DURING THE PANDEMIC.

THE DIVISION'S TOTAL REVENUE FOR THE FINANCIAL YEAR STOOD AT RM1.9 BILLION, AS THE CONCESSION BUSINESS SAW REDUCED DEMAND WITH THE DECLINE IN NUMBER OF PATIENTS GOING TO HOSPITALS DUE TO THE PANDEMIC AND SUBSEQUENT MOVEMENT RESTRICTIONS. NEVERTHELESS, WE RECORDED A HIGHER PROFIT BEFORE ZAKAT AND TAXATION OF RM39 MILLION COMPARED WITH THE DEFICIT OF RM220 MILLION IN THE PREVIOUS YEAR, WHICH PRIMARILY AROSE FROM THE FULL RECOGNITION OF REMAINING UNAMORTISED PHARMACY INFORMATION SYSTEM (PhIS) COSTS AMOUNTING TO RM247 MILLION, A ONE-OFF NON-CASH ITEM.

Implemented Internet of Things (IoT) technology to improve real-time temperature monitoring & IoT devices for GPS tracking

DOMESTIC BUSINESS OPERATIONS

Catering to the healthcare requirements of the *Rakyat* is a key priority for us, more so in this difficult time. We worked hand in hand with MOH to do our part to combat the spread of COVID-19 through our logistics and distribution services and operations. This included distributing 228 ventilators worth over a total of RM36 million procured by the Government, Yayasan Hasanah and GLC Disaster Relief Network (GDRN). In addition, other medical equipment needed for critical care donated by Non-Governmental Organisations and other agencies were also distributed to MOH facilities throughout Malaysia.

We also initiated a national donation drive which saw us distributing approximately six million pieces of various critical care products and PPE to over 100 facilities nationwide.

Serving the nation's needs to the best of our ability, our frontline team worked around the clock to ensure that all products were efficiently distributed within 24 to 48 hours during the first phase of the Movement Control Order (MCO) from March to May 2020. Products were also successfully delivered via air freight to East Malaysia, overcoming the challenges of movement restrictions due to the urgent situation in the region at that time.

Our highly capable logistics team delivers healthcare products to Gerik, a remote area of Hulu Perak via speed boat

UPHOLDING OUR DEDICATION TO SERVICE EXCELLENCE, WE RECORDED 99.6% COMPLIANCE WITH ALL PERFORMANCE STANDARDS, AS PER THE REQUIREMENTS OF THE CONCESSION AGREEMENT WITH MOH

The Division continued to fulfil the provision of medicines and medical supplies to MOH. Under our concession business, we supply and distribute products including drugs and medical devices under the Approved Products Purchase List (APPL) to MOH facilities across Malaysia. Given the COVID-19 situation, we recorded total sales of RM1.27 billion for APPL products, which was 10% lower compared with the previous financial year, mainly due to the reduced number of patients at MOH facilities.

Alongside our committed services for MOH, we have engaged with various institutions from the public sector to distribute APPL products. The majority of our clientele are under the Ministry of Higher Education, including Hospital Universiti Sains Malaysia, Pusat Perubatan Universiti Malaya, Hospital Canselor Tuanku Muhriz, Hospital Universiti Putra Malaysia, Universiti Utara Malaysia, Universiti Sains Islam Malaysia, Universiti Teknologi MARA, Universiti Teknologi Malaysia, Universiti Islam Antarabangsa Malaysia and Universiti Malaysia Sabah. We also continued to supply selected products such as medicines, medical devices and disposable items to the Ministry of Defence and Lembaga Tabung Haji.

Upholding our dedication to service excellence, we recorded 99.6% compliance with all performance standards, as per the requirements of the concession agreement with MOH despite the challenging operating environment caused by the pandemic.

OPERATIONS REVIEW

LOGISTICS & DISTRIBUTION (Cont'd)

Scaling up our warehouse capacity is essential to ensure that healthcare is accessible to all communities in Malaysia. While long-term plans are underway to establish new warehouses, in 2020 we expanded our warehouse in Penang providing greater stockholding capacity and allowing us to cover more delivery areas in the Northern region. This improves response time and also increases transportation and distribution efficiency by reducing bottlenecks and double handling at our distribution centres in the Central region.

Tapping on the vast potential of the Industrial Revolution 4.0 and digitalisation to ramp up our capabilities, this year we equipped our cold rooms at our warehouses in Selangor, Sabah and Sarawak with Internet of Things (IoT) technology to improve real-time temperature monitoring. This was applied to our transportation fleet comprising both in-house and third-party fleets, in addition to IoT devices for GPS tracking.

As part of our iconic initiatives, we are tapping on advanced technologies to enhance our logistics supply chain, namely through the usage of an unmanned aerial vehicle (UAV) to improve accessibility of healthcare distribution. We are currently in the planning stages to explore utilising a drone to deliver much-needed medical supplies to rural, remote or difficult to access areas. We are collaborating with an experienced world-class UAV company and are also in discussions with the relevant authorities to move this forward.

Adhering to the highest quality standards, regular audits are carried out internally and by external certification bodies, ensuring full compliance with standard operating procedures throughout our operations. During the year, we successfully passed audits for Good Distribution Practice (GDP), Good Distribution Practice for Medical Devices (GDPMD) and the Pharmacist Type A License.

Demonstrating our commitment to best practices, we extended the ISO 45001:2018 Occupational Health and Safety Management Systems certification to the Section 15, Shah Alam warehouse to ensure that our premises are fully certified in all three areas of quality, environment and safety.

We continued to comply with the standards specified in ISO 18295-1: 2017 Customer Care Contact Centre certification, reflecting our commitment to customer service excellence. In 2020, we recorded a service level of 92.6% of incoming calls answered within 15 seconds. This was in line with our Service Level Agreement which increased by 3% from 90% to 93%, despite a 15% increase in volume of calls handled in 2020, comprising over 31,000 calls. This was achieved even with work from home arrangements in effect for several months amidst the movement restrictions.

WE CONTINUED WITH THE *DO IT RIGHT ALWAYS* (DIRA) CAMPAIGN IN 2020 WITH THE THEME OF 'ENGAGE' AND 'MEASURE'

Our warehouses in Sabah, Sarawak, Selangor and Penang are equipped with cold rooms

We continued with the *Do It Right Always* (DIRA) campaign in 2020 with the theme of 'Engage' and 'Measure'. Throughout the year, we organised a range of activities for employees including briefings, knowledge sharing sessions, workshops, audits, contests, mini campaigns, blood donation drives and healthy living programmes, reaching out to employees at all levels and promoting open dialogue with top management. DIRA messages were also consistently shared across our internal communications through emails and posters at our premises.

We successfully concluded our 24-month warranty management services for six medical equipment packages, namely endoscopy, urology, physiotherapy, pharmacy, biosafety and conveyor system for Hospital Tunku Azizah, previously known as the Women and Children Specialist Hospital Kuala Lumpur. We also continued to deliver warranty maintenance services under the Medical Equipment Enhancement Tenure Programme (MEET Programme) for the MOH.

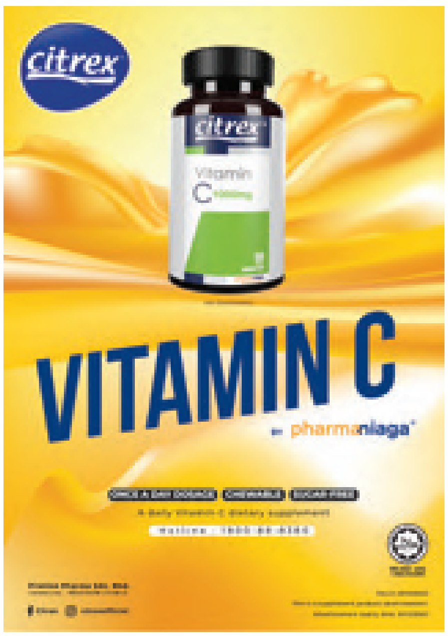
Although the generic pharmaceutical market was not spared the impact of the pandemic, we were able to generate healthy sales growth particularly in the pharmacy sector, for ethical products in key therapeutic segments such as cardiovascular and diabetes. Our leading generic brands Iqnyde, Simvastatin and Glumet recorded double-digit growth of 20%, 16% and 36% respectively. Iqnyde and Aspira also maintained their position as the most preferred generic brands in clinics and pharmacies nationwide, commanding strong market share of 52% and 39% respectively.

In line with our aggressive strategy to broaden our presence in the private sector, we launched our first vaccine; Pneumosil, a vaccine for pneumococcal disease. We registered immediate interest from the market, with strong uptake from paediatricians in key private hospitals such as the KPJ Group and Gleneagles, with repeat orders subsequently received. Based on this encouraging response, we are confident that our entry to the vaccine market sets the stage for our future expansion, particularly in view of the additional vaccines that we already have in the pipeline.

OPERATIONS REVIEW
LOGISTICS & DISTRIBUTION (Cont'd)

We introduced four new patented products to our wide range of leading generic pharmaceuticals, contributing to our growth in the segment. A key addition was an oncology product which is utilised for the treatment of lung cancer, as part of our drive to introduce more affordable chemotherapy and palliative care products for treatment of cancer in Malaysia. We also launched Aftamed in a new 8ml gel tube packaging, for effective treatment of oral ulcers, as well as Atopshield which is specifically formulated to treat seborrheic dermatitis and provide maintenance treatment for atopic and contact dermatitis. Along with this, we introduced Vaginal Hyal Gel for the treatment of vaginal atrophy.

Adapting to the new normal, we embraced digital platforms to engage with customers, such as organising virtual continuous medical education (CME) programmes with healthcare professionals. To allow for effective follow-through, we introduced automation within our sales force to facilitate sales activities and enable remote sharing on product information.



PLEASE SCAN ME

ADAPTING TO THE NEW NORMAL, WE EMBRACED DIGITAL PLATFORMS TO ENGAGE WITH CUSTOMERS, AS WELL AS INTRODUCED AUTOMATION WITHIN OUR SALES FORCE TO FACILITATE SALES ACTIVITIES AND ENABLE REMOTE SHARING ON PRODUCT INFORMATION

Apart from this, we expanded our consumer healthcare portfolio with relevant offerings to support the health and wellness needs of Malaysians. This included the latest addition to our Citrex range, Gummies Multivitamins, as well as new hand washes, hand sanitisers and lotions in our Royale range of products to encourage good hand hygiene. We also embarked on a strategic branding exercise to promote key over the counter products such as Citrex Vitamin C and Actimol, as well as being appointed the sole distributor of Baraka in Malaysia. Various communication channels were utilised, including newspapers and billboards within the Klang Valley and selected suburban areas, as well as digital platforms.

Leveraging on the significant consumer shift towards e-commerce during the MCO, we drove steady growth in our community pharmacy business under the RoyalePharma brand. Supported by our digital marketing initiatives to enhance engagement and heighten awareness, consumers were able to easily access our various sales channels such as the RoyalePharma website at www.royalepharma.com and e-commerce platforms such as Lazada and Shopee, to conveniently purchase products while remaining safe at home. Further scaling up our e-commerce presence, we embarked on new platforms to market our RoyalePharma products, namely eMedAsia.com, a dedicated marketplace for healthcare professionals, and motherhood.com.my, one of Malaysia's top parenting portals.

Our over the counter products are available through our 415 Alliances located nationwide

We were able to reinforce RoyalePharma's presence in the industry through strategic partnerships with independent pharmacies, growing our network from 310 to 415 via the RoyalePharma Alliance Programme.

As many healthcare providers turned to digital channels to overcome the challenges of the pandemic, we leveraged on the opportunity to partner with Health Digital Technologies Sdn Bhd on Doctor On Call (DOC), Malaysia's largest digital healthcare platform which provides convenient and affordable access to medicines via fully online healthcare services, enabling people to stay safe at home. Through this partnership, Pharmaniaga's role as a supplier ensures genuine medications at lower costs from a trusted and reliable source.

This initiative has seen good progress and plans are in place to scale up these activities moving forward.

Our Long Term Medication Programme continued providing medications for non-communicable diseases such as diabetes and hypertension. To date, we have over 500 registered patients receiving our services under this programme.

RoyalePharma also played a role in supporting frontliners with the provision of PPE and pharmaceutical products via collaborations with Koperasi Persatuan Perubatan, the Malaysian Dental Association and the Malaysian Private Dental Practitioners' Association.

Over

500

registered patients under

Long Term Medication Programme

OPERATIONS REVIEW
INDONESIA OPERATIONS

INDONESIA OPERATIONS

INDONESIA REMAINS INTEGRAL TO OUR VISION TO GROW OUR INTERNATIONAL PRESENCE, WITH STRONG INHERENT PROSPECTS IN THE COUNTRY'S PHARMACEUTICAL INDUSTRY THAT THE GROUP IS WELL-POSITIONED TO TAP INTO.

AGAINST THE CHALLENGING BACKDROP, OUR INDONESIAN OPERATIONS REGISTERED A DEFICIT OF RM8 MILLION FOR THE FINANCIAL YEAR. THIS WAS MAINLY ATTRIBUTABLE TO HIGHER OPERATING EXPENSES DURING THE PANDEMIC, WITH PAYMENT DELAYS BY INDONESIAN GOVERNMENT HOSPITALS FURTHER AFFECTING THE HEALTHCARE SECTOR. INDONESIA'S LARGE-SCALE SOCIAL RESTRICTIONS IN RESPONSE TO THE PANDEMIC, *PEMBATASAN SOSIAL BERSKALA BESAR*, ALSO RESULTED IN LIMITED ACCESS TO DOCTORS, CLINICS, PHARMACIES AND HOSPITALS, FURTHER IMPACTING OUR PERFORMANCE.

MPI:
33 branches

Errita:
6 new distributors

LOGISTICS AND DISTRIBUTION

Our Indonesian listed subsidiary and logistics and distribution arm, PT Millennium Pharmacon International Tbk (MPI), recorded net sales of RM768 million for the year. This was mainly attributable to the surge in demand for products related to COVID-19 prevention, including health supplements, vitamins, hand sanitisers and face masks, as well as drugs and medical disposables for COVID-19 treatment.

As part of our drive to grow our product pipeline, we expanded our range of products produced by our manufacturing arm, PT Errita Pharma (Errita), such as Citrex Curvita, Citrex Lysine, Citrex Multivit Kids, Sappmol Tablet, Rheumacare Muscle & Joint cream and Rheumacare Neck & Shoulder cream.

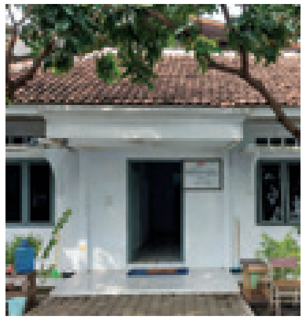
The pandemic saw a significant shift towards digital transformation due to movement restrictions. Tapping on this opportunity, we leveraged on well-established e-commerce platforms including Tokopedia, Shopee and Dinomarket to continue to market our wide range of products. This included products from MPI, third parties and products manufactured by Errita, and our Malaysian operations. We also capitalised on digital marketing via social media advertisements on popular platforms such as Instagram and Facebook, in addition to engaging with social media influencers.

To broaden our reach, we expanded our operations during the year, with the opening of our 33rd branch in Tegal, Jawa Tengah in March 2020. Several MPI branches also moved to new offices in Malang, Pontianak and Jakarta, allowing us to enhance our operational efficiencies.

MPI's Headquarters in Jakarta

Malang Branch

Pontianak Branch



Tegal Branch

TO BROADEN OUR REACH, WE EXPANDED OUR OPERATIONS DURING THE YEAR, WITH THE OPENING OF OUR 33RD BRANCH IN TEGAL, JAWA TENGAH IN MARCH 2020

To drive performance, we organised a Branch Manager Conference which was attended by MPI branch managers nationwide. This took place in February 2020 prior to the onset of the COVID-19 outbreak. At the conference, high-performing branches were recognised for their accomplishments, while plans and targets for 2020 were presented. Along with this, training was provided for all branch managers throughout the four-day conference to improve relevant skills and competencies.

Cultivating Pharmaniaga's *Do It Right* (DIR) culture in our Indonesian operations, we embarked on our first DIR campaign at MPI. To nurture the DIR mindset amongst our employees, we held virtual meetings with our branches to instil product knowledge. In view of the pandemic, we also organised initiatives to help those in need by distributing free meals and face masks.

We continued to uphold strict compliance with best practices across our operations. Reflecting this, in accordance with *Badan Pengawasan Obat dan Makanan* (BPOM) national regulations and requirements, we successfully retained Good Distribution Practice (GDP) certification for all 33 branches in the country as well as our Central Warehouse in Jakarta.

OPERATIONS REVIEW
INDONESIA OPERATIONS (Cont'd)

MPI's central warehouse in Jakarta, Indonesia

Amidst the pandemic, we took significant steps to protect our employees, adopting strict preventive measures. This included physical distancing protocols at all MPI premises as well as external sites, temperature screening prior to entry, increased sanitisation and disinfection carried out across our offices, and provision of hand sanitisers and personal protective equipment. We also regularly communicated with employees via email and multiple digital platforms, providing pertinent updates and information on COVID-19. Visitors were limited at our premises and meetings were conducted via conference calls or digital channels.

Shorter working hours in the office and work rotation were also introduced during the pandemic. The use of ride e-hailing services was subsidised by the Company due to limited availability of public transportation. In addition, meals were provided to encourage employees to stay in and stay safe. For the wellbeing of our employees, we also provided free vitamins and supplements to boost their immune systems.

ERRITA EFFECTIVELY STRENGTHENED BUSINESS SYNERGIES BY CONTINUING TO PARTNER WITH MPI AS DISTRIBUTOR OF ITS PRODUCTS IN JAVA. CONCURRENTLY, ERRITA COMMENCED COLLABORATIONS WITH SIX NEW DISTRIBUTORS, COVERING THE AREAS OF WEST, CENTRAL AND EAST JAVA

MANUFACTURING

With our well-established reputation as a trusted distributor of healthcare products, MPI allows us to cater to the growing needs of the country via our manufacturing plant, Errita. This was all the more important during the global pandemic, which accelerated rising healthcare awareness and made it vital to ensure a stable supply of pharmaceutical products. As an essential business, Errita was accorded Ijin Operasional status on 16 April 2020 by Indonesia's Ministry of Industry, allowing us to continue our operations in strict compliance with the Ministry's regulations.

Errita effectively strengthened business synergies by continuing to partner with MPI as distributor of its products in Java. Concurrently, Errita commenced collaborations with six new distributors, covering the areas of West, Central and East Java.

Channelling our focus on expanding our product portfolio in 2020, we successfully commercialised 13 new products. In tandem, we submitted 15 products to Indonesia's local product authority, BPOM for approval.

As part of our ambition to become a Global Halal Pharmaceutical Provider, we progressed with the data collection and documentation process in preparation for Halal Assurance System 2300 certification. We aim to obtain Halal certification for more of Errita's over the counter products by 2022. Reflecting the best practices adopted within our operations via our Quality Management System, since 2018 we have continued to maintain our international ISO 9001:2015 and ISO 14001:2015 certifications.


Monitoring of purified water system

Embracing automation and new technologies is integral to enable us to remain competitive and enhance efficiencies. We successfully commissioned three automatic strip cartoning machines for solid line at our general plant. This eliminates the need for manual packing, improving packing speed while reducing labour costs.

We prioritised COVID-19 preventive measures to safeguard the health of our employees, as well as implemented effective management strategies to sustain operations. Face masks were provided to all employees, with mandatory use required at all times. Temperature screening was conducted at all entry points with physical distancing across our premises. We developed our own hand sanitiser for internal use, based on an approved formula provided by BPOM. Daily updates on the COVID-19 situation were communicated through digital platforms to keep employees informed of latest developments.


Product analysis using high performance liquid chromatography


Capsule filling process at our general plant for solid line

CORPORATE CORE VALUES

"OUR CORE VALUES OF RESPECT, INTEGRITY, TEAMWORK AND EXCELLENCE ARE THE ESSENCE OF OUR COMPANY'S IDENTITY WHICH SHAPES OUR CULTURE. IT ENABLES US TO POSITIVELY IMPACT THE WAY WE CONDUCT BUSINESS AND THE COMMUNITIES IN WHICH WE OPERATE"

CORPORATE CORE VALUES

CONTRIBUTED A TOTAL OF RM2.5 MILLION IN BUSINESS ZAKAT.

DISTRIBUTION OF COVID-19 EMERGENCY KITS TO GOVERNMENT HOSPITALS

Via the GLC Disaster Response Network (GDRN), Pharmaniaga collaborated with TM Reaching Out Volunteers (TM ROVers), to deliver 300 COVID-19 emergency kits to eight Government hospitals in Klang Valley. The kits contained items such as essential goods, blankets and other supplies.

AID FOR COVID-19 PATIENTS

Pharmaniaga sponsored KFC meals and Citrex Vitamin C to those affected by the COVID-19 pandemic at the quarantine centre located at the Higher Education Leadership Academy (AKEPT). This donation was distributed via The National Disaster Management Agency (NADMA).

DONATION FOR FIRE VICTIMS

Pharmaniaga contributed monetary donation to ease the burden of En. Soh and family who were affected by the fire which damaged their house in Besut, Terengganu.

CONTRIBUTION TO EMPLOYEES IN SARAWAK

Pharmaniaga's logistics branch in Sarawak channeled contributions to employees who were affected by the COVID-19 pandemic.

DONATION TO HOSPITAL SUNGAI BULOH COVID-19 TEST CENTRE

Pharmaniaga donated essential goods and crowd control equipment to Hospital Sungai Buloh's COVID-19 test centre to better assist them during these challenging times.

CHILDREN COMES FIRST

Pharmaniaga provided monetary contribution and essential items for the children of Kg. Batu 17 in Hulu Langat.

DONATION FOR UNDERPRIVILEGED FAMILY

Sympathetic of the fate that befell En. Zubair and wife, a deaf-mute couple who has two young children with speech delay disorder, Pharmaniaga contributed monetary donation, basic necessities and a brand-new television to aid this family.

HERO RAMADAN: IFTAR FOOD PACKS DISTRIBUTION TO POLICE WORKFORCE

Through the programme Hero Ramadan, we distributed iftar food packs to several District Police Headquarters (IPD) including:

- IPD Subang Jaya
- IPD Klang Selatan
- IPD Klang Utara
- IPD Shah Alam
- IPD Kuala Lumpur
- IPD Putrajaya
- IPD Kajang
- IPD Serdang
- IPD Ampang
- IPD Gombak
- IPD Sg Buloh
- IPD Petaling Jaya

CORPORATE CORE VALUES
(Cont'd)

HARI RAYA DONATION TO ORPHANS

In the spirit of giving during Hari Raya Aidilfitri, Pharmaniaga contributed Citrex Vitamin C, essential goods and monetary donation to underprivileged orphans at Pertubuhan Nur Kasih in Klang.

CARING FOR OUR PEOPLE

We channeled our contributions to more than 900 employees affected by the COVID-19 pandemic by providing basic necessities to ease their burden, especially during the Movement Control Order.

QURBAN WITH MPI, TEGAL AND MANADO

PT Millennium Pharmacon International Tbk branches in Tegal and Manado celebrated Hari Raya Aidiladha by carrying out Qurban activities with its employees and distributing meat to the surrounding communities.

BARAKAH OF RAMADAN

Pharmaniaga LifeScience Sdn Bhd shared the barakah of Ramadan by contributing basic necessities, electrical items and monetary donation to orphans and asnaf at Yayasan Noor Manzil.

DISTRIBUTION OF RICE

PT Errita Pharma distributed rice to employees and the surrounding communities in order to lessen their burden during the COVID-19 pandemic.

BUBUR LAMBUK FOR MEDIA

In conjunction with the holy month of Ramadan, Pharmaniaga distributed bubur lambuk to members of the media including:

- RTM
- NSTP
- Media Prima
- AWANI
- BERNAMA

COVID-19 SWAB TESTS

In an effort to curb the spread of COVID-19, Pharmaniaga took proactive steps by conducting COVID-19 screening tests for employees at all branches nationwide.

CONTRIBUTION TO CHILDREN AND ELDERLY IN IPOH

Pharmaniaga provided 200 bottles of Citrex Vitamin C, 200 units of Citrex school bags and 20 units of wheelchairs to the underprivileged children and the elderly. These contributions were handed over to Pertubuhan Kebajikan Rumah Orang Tua-Tua (Islam) Titian Abadi (PEKITA) in Ipoh, Perak.

MINERAL WATER DISTRIBUTION TO HOSPITAL SELAYANG

Pharmaniaga donated 2,400 bottles of mineral water to Hospital Selayang COVID-19 test centre.

CONTRIBUTION TO SKIN CANCER PATIENT

Pharmaniaga contributed monetary donation and basic necessities to assist Nur Syahidah Rashid for the cost of her skin cancer treatment.

CORPORATE CORE VALUES
(Cont'd)

CONTRIBUTION OF WHEELCHAIRS

Pharmaniaga contributed 20 units of wheelchairs to children at Persatuan Kumpulan Anak-Anak Sungai Manila in Sandakan. Another 20 units of wheelchairs were donated to Kelab Permotoran Lagenda F1 115 Sandakan which were distributed to those in need.

CONTRIBUTION TO ADIK FIRHA

Sympathetic of the fate that befell Nur Ardhania Firha who suffers from Apert Syndrome, Pharmaniaga contributed monetary donation to cover part of her operation costs.

APPRECIATION TO MALAYSIAN ARMED FORCES

In appreciation of our Malaysian armed forces, Pharmaniaga contributed RM100,000 to Tabung Pahlawan. This donation was presented by Datuk Zulkarnain Md Eusope, Group Managing Director of Pharmaniaga to Dato' Sri Ismail Sabri Yaakob, Senior Minister of Defence.

ESSENTIAL GOODS FOR FISHERMEN FAMILIES

Pharmaniaga donated 150 sets of essential goods to 150 fishermen families in Kg Sg Batu, Pantai Remis, Perak whom were affected by the COVID-19 pandemic.

WHEELCHAIR DONATION FOR UNCLE CHEW

Pharmaniaga donated a wheelchair to Uncle Chew Kok Seng, a 61-year-old dealing with spinal cord injury for the past ten years.

RIVER CLEAN-UP

A *gotong-royong* and river clean-up at Sungai Batangsi and Sungai Air Hitam in Selangor was organised by employees of Pharmaniaga Manufacturing Berhad.

HAND SANITISER DISTRIBUTION TO SCHOOLS

To encourage good hygiene habits amongst school children during the COVID-19 outbreak, Pharmaniaga donated hand sanitisers to 24 primary and secondary schools throughout the nation.

GENGIGEL SPRAY DISTRIBUTION

PT Millennium Pharmacon International Tbk donated Gengigel spray to the employees of Wisma Atlet Indonesia, a COVID-19 patient treatment centre located in Jakarta, Indonesia.

PHARMANIAGA PARTNERS WHO, UNICEF

Pharmaniaga is proud to be a part of the historical moment between the Ministry of Health Malaysia, World Health Organisation (WHO) and UNICEF in receiving 2.5 million doses of monovalent type two oral polio vaccine (mOPV2) from the WHO vaccine stockpile. This vaccine was given to over one million children under the age of 13 in Sabah due to the polio outbreak.

CORPORATE CORE VALUES
(Cont'd)

DEEPAVALI CHEER TO CHILDREN OF SRI SAI HOME

The children of Sri Sai Home were treated to a pre-Deepavali shopping spree by Pharmaniaga volunteers.

PROGRAM PEDULI DAN BERBAGI TERHADAP KORBAN PANDEMIK COVID-19

PT Millennium Pharmacon International Tbk in Jakarta provided basic necessities to assist its surrounding communities during the pandemic.

SCHOOL SUPPLY KITS FOR ASNAF CHILDREN

School supply kits were provided to asnaf children who were impacted by the COVID-19 pandemic. The donation was channelled via Pusat Kebajikan Persaudaraan Islam Negeri Melaka.

CONTRIBUTION TO PERSATUAN KEBAJIKAN KANAK-KANAK TERENCAT AKAL MALAYSIA

In conjunction with Chinese New Year, Pharmaniaga donated items such as basic necessities, Citrex Vitamin C, Actimol, hand santisers, face masks and diapers to Persatuan Kebajikan Kanak-Kanak Terencat Akal Malaysia.

CONTRIBUTION TO RUMAH JAGAAN DAN RAWATAN ORANG TUA AL-IKHLAS

Pharmaniaga contributed basic necessities, gloves, Citrex Vitamic C and Perozin to Rumah Jagaan dan Rawatan Orang Tua Al-Ikhlas in Puchong, Selangor.

CONTRIBUTION TO EMPLOYEES IN JURU, PENANG

Our logistics branch in Juru donated basic necessities to its employees who were affected by the COVID-19 pandemic.

CONTRIBUTION TO RUMAH SERI KENANGAN

Our logistics branch in Sarawak, in collaboration with Surau As-Syifaa contributed basic necessities to Rumah Seri Kenangan, a home for the elderly in Kuching.

LOGISTICS & DISTRIBUTION SUPPORT TO MOH

Pharmaniaga provided logistics and distribution support to MOH for medical supplies and equipment which were distributed to Government hospitals nationwide.

CORPORATE CORE VALUES
(Cont'd)

LONG SERVICE AWARD

Employees who have been with Pharmaniaga for 15 years were celebrated at a ceremony held at Royale Chulan Kuala Lumpur in recognition of their long service and dedication.

ACADEMIC ACHIEVEMENT AWARD

The children of employees who excelled in their UPSR, PT3 and SPM examinations were duly recognised at the Academic Achievement Award ceremony held at Royale Chulan Kuala Lumpur.

PROGRAM MUAFAKAT BUBUR ASYURA

Kelab Surau Idaman Pharma Manufacturing Sdn Bhd and employees in Sungai Petani jointly prepared bubur asyura which was distributed to employees.

E-GAMES EMPLOYEES ACTIVATION

The Bukit Raja Sports and Recreation Club (KSRBR) organised an e-games competition, 'E-Games Employee Activation' at PharmaCafe, Bukit Raja, Selangor. Amongst the online games played during the competition included FIFA 20, Playerunknown's Battlegrounds Mobile (PUBGM), F1 2019, Beat Saber and Tekken 7.

BADMINTON TOURNAMENT- SABAH

A badminton tournament was organised by our logistics branch in Sabah. More than 20 employees participated in the tournament.

BADMINTON TOURNAMENT- BANGI

Our manufacturing plant in Bangi organised a badminton tournament for its employees. The tournament was participated by 24 doubles teams.

HARI MALAYSIA CELEBRATION

In conjunction with Hari Malaysia, Pharmaniaga organised various activities such as cake decoration, menebar roti canai competition and a short video competition.

GOVERNANCE

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement sets out the principal features of Pharmaniaga Berhad (Pharmaniaga) and its subsidiaries' (collectively referred to as the Group) corporate governance approach, summary of corporate governance practices during the year as well as key focus areas and future priorities in relation to corporate governance. The Corporate Governance Overview Statement is made pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and guidance was drawn from Practice Note 9 of the MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia.

The Corporate Governance Overview Statement is augmented with a Corporate Governance Report, based on a prescribed format as enumerated in Paragraph 15.25(2) of the MMLR so as to provide a detailed articulation on the application of the Group's corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance (MCCG). The Corporate Governance Report is available on the Group's website, **www.pharmaniaga.com** as well as via an announcement on the website of Bursa Malaysia.

This Corporate Governance Overview Statement should also be read in tandem with the other statements in the Annual Report, namely Statement on Risk Management and Internal Control, Audit Committee Report and the Sustainability Report.

CORPORATE GOVERNANCE APPROACH

The Board of Directors (Board) of Pharmaniaga is committed towards reinforcing its market position in the pharmaceutical sector, whilst remaining true to the Group's well-established corporate governance philosophies which are ingrained in the Group's core values, namely, **Respect, Integrity, Teamwork** and **Excellence**. The Board believes that a robust and dynamic corporate governance framework is essential to form the bedrock of responsible and responsive decision making in the Group.

The Group's overall approach to corporate governance is to:

- promote heightened accountability at the leadership level (Board and Senior Management);
- adopt the substance behind corporate governance enumerations and not merely in form;
- conduct a thorough debate and rigorous enquiry process before establishing corporate governance systems, policies and procedures;
- identify opportunities to drive the synergistic implementation of corporate governance systems, policies and procedures for improved strategic and operational decision making; and
- find a fine balance in meeting the expectations of all stakeholders within the Group.

Given that the Board forms the pivot of good corporate governance, the Board steers efforts to promote meaningful and thoughtful application of good corporate governance practices. The Group regularly reviews its corporate governance arrangements and practices to ascertain if they reflect prevailing norms, market dynamics, emerging trends, developments in the regulatory tapestry and evolving stakeholder expectations.

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

In manifesting the Group's commitment towards sound corporate governance, the Group has benchmarked its practices against the relevant promulgations as well as other best practices.

Pharmaniaga has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2020 except for:

Practice 6.1 : Remuneration Policy for Directors and Senior Management;

Practice 7.2 : Disclosure of the top five Senior Management personnel's remuneration on a named basis in bands of RM50,000; and

Practice 11.2 : Adoption of integrated reporting.

In line with the latitude accorded in the application mechanism of MCCG, the Company has provided explanations for the departures from the said practices, supplemented with a description on the alternative measures that seek to achieve the Intended Outcome of the departed Practices, measures that the Company has taken or intends to take to adopt the departed Practices as well as the timeframe for adoption of the departed Practices. Further details on the application of each individual Practice of MCCG are available in the Corporate Governance Report.

A summary of the Group's corporate governance practices with reference to MCCG is described below.

BOARD'S ROLES AND RESPONSIBILITIES

The Board is responsible for the corporate governance practices of the Group. Being at the helm of the Group, the Board governs the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group.

NOMINATING & REMUNERATION COMMITTEE (NRC)

Review candidatures for Board appointment and re-appointment as well as annual assessment of the Board, Board Committees and Directors. Review and oversee administration of remuneration policies and procedures of Directors and Senior Management

BOARD

Responsible for providing stewardship and oversight of the Group's business affairs

SUSTAINABILITY COMMITTEE (SC)

Monitor implementation of sustainability-related policies, measures and actions in achieving Group's sustainability milestones and goals

AUDIT COMMITTEE (AC)

Review of financial reporting, internal controls, related party transactions / recurrent related party transactions and conflict of interest, internal audit as well as external audit processes

BOARD TENDER COMMITTEE (BTC)

To assist the Board in fulfilling its statutory and fiduciary responsibilities in overseeing the process of awarding significant contracts by Pharmaniaga and its subsidiaries

BOARD RISK MANAGEMENT COMMITTEE (BRMC)

Oversee the implementation of the risk management framework and identify, assess and monitor the overall risk exposure in order to safeguard the Group's interest

GROUP MANAGING DIRECTOR

Responsible for the overall business and implementation of Board policies, decisions and power within delegated limits for all matters except those reserved for the Board or delegated to Board Committee

RISK MANAGEMENT WORKGROUP COMMITTEE (RMWC)

HEAD OF INTERNAL AUDIT

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

As depicted in the illustration, the Board is assisted by five Board Committees in its oversight function with reference to specific responsibility areas. However, it should be noted that the Board retains collective oversight over the Board Committees at all times and the final decision on all matters rest with the entire Board. These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Group is in adherence with good corporate governance.

The Board has formalised a Board Charter which sets out the ethos of the Group, structure and authority of the Board. The Board Charter is the primary document that elaborates on the governance of the Board, Board Committees and individual Directors. The Board Charter is made available on the Group's website, www.pharmaniaga.com and was last reviewed on 28 August 2019.

The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board and Board Committee meetings with sufficient regularity to deliberate on matters under their purview. Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary.

During the year, the Board has deliberated on business strategies and critical issues concerning Pharmaniaga Group, including business plan, annual budget, significant acquisitions, financial results as well as key performance indicators. The attendance of individual Directors at Board and Board Committees meetings during the financial year ended 31 December 2020 is outlined below:

1 January 2020 – 31 July 2020

Director	Board	AC	NRC	SC	BRMC
Group Managing Director					
Dato' Farshila Emran [1]	2/2	-	-	-	-
Independent Non-Executive Chairman					
Datuk (Dr.) Hafsah Hashim	5/5	-	-	-	-
Senior Independent Non-Executive Director					
Mohd Suffian Haji Haron [2]	2/2	1/1	2/2	1/1	1/1
Independent Non-Executive Directors					
Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired)	5/5	2/2	4/4	-	2/2
Dr. Salmah Bahri [3]	5/5	-	2/2	2/2	-
Brigadier General Dato' Mohd Shahrom Mohamad (Rtd.) [3]	5/5	2/2	4/4	2/2	3/3
Dato' Mohd Zahir Zahur Hussain	5/5	1/2	-	2/2	3/3
Non-Independent Non-Executive Directors					
Datuk Koo Hock Fee	5/5	-	-	-	-

Notes:

[1] *Group Managing Director until 31 March 2020*

[2] *Board Member until 28 April 2020*

[3] *Board Member until 20 July 2020*

1 August 2020 – 31 December 2020

Director	Board	AC	NRC	SC	BRMC
Group Managing Director					
Datuk Zulkarnain Md Eusope[1]	2/2	-	-	-	-
Independent Non-Executive Chairman					
Datuk (Dr.) Hafsah Hashim [2]	4/4	-	-	-	-
Independent Non-Executive Directors					
Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired) [3]	4/4	-	2/2	1/1	2/2
Dato' Mohd Zahir Zahur Hussain [4]	4/4	2/2	2/2	-	-
Dato' Dr. Najmil Faiz Mohamed Aris [5]	4/4	-	-	1/1	2/2
Datuk Dr. Azhar Ahmad [5]	4/4	-	-	1/1	-
Zulkifli Jafar [5]	4/4	2/2	2/2	-	-
Dr. Abdul Razak Ahmad [6]	-	-	-	-	-
Non-Independent Non-Executive Director					
Datuk Koo Hock Fee [7]	4/4	2/2	2/2	1/1	2/2

Board/Board Committee Chairman   Member

Notes:

[1] *Appointed as Group Managing Director on 1 September 2020*

[2] *Board Member until 26 February 2021*

[3] *Board Member until 28 December 2020*

[4] *Board Member until 30 March 2021*

[5] *Appointed as Board Member on 3 August 2020*

[6] *Appointed as Board Member on 20 November 2020*

[7] *Board Member until 23 November 2020*

There is clear delineation of roles of the Board and Management. The Group Managing Director is the conduit between the Board and the Management in driving the success of the Group's governance and management function.

In performing their duties, the Board is supported by two professionally qualified and competent joint Company Secretaries who provide advisory services to the Board. The joint Company Secretaries acts as a corporate governance counsel and ensures good information flow within the Board, Board Committees and Senior Management.

The joint Company Secretaries attends all meetings of the Board and Board Committees and advises the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016, Capital Markets and Services Act 2007 (Amendment 2012) MMLR. Management provides Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

BOARD COMPOSITION

On 3 August 2020, three new Independent Non-Executive Directors were appointed to the Board. Namely, Dato' Dr. Najmil Faiz Mohamed Aris, Datuk Dr. Azhar Ahmad and Zulkifli Jafar. Subsequently, Dr. Abdul Razak Ahmad was appointed to the Board as Independent Non-Executive Director on 20 November 2020. With the new appointments, retirement and resignation of Brigadier General Dato' Mohd Shahrom Mohamad (Rtd.), Dr. Salmah Bahri, Datuk Koo Hock Fee and Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired), there are seven Directors on the Board, six of which are independent.

The composition of the Independent Directors on the Board is in excess of the MMLR one third. The Board is supported by the Group Managing Director and Senior Management in ensuring that there is an effective and fair representation for the shareholders, including minority shareholders. The Board strives to ensure that it has an appropriate mix of skills, qualifications and experience to discharge its roles and responsibilities effectively based on the Group's nature of business. The Board, from time to time undertakes a review of its composition to determine areas of strengths and improvement opportunities.

Appointments to the Board are made via a formal, rigorous and transparent process, premised on meritocracy and taking into account objective criteria such as qualifications, skills, experiences, professionalism, integrity and diversity needed on the Board in the context of the Group's strategic direction. In the case of Independent Directors, the Nominating and Remuneration Committee (NRC) assesses the candidate's ability to bring the element of detached impartiality and objective judgment to the boardroom deliberations.

The Board, with the assistance of the NRC, regularly assesses the skills, experiences, independence and diversity required collectively for the Board to effectively fulfil its roles. The Board was satisfied that there was mutual respect amongst Directors which contributed to a democratic environment so as to constructively deliberate and undertake a robust decision-making process.

The Board reviews its performance, and that of Board Committees and individual Directors based on a set of predetermined criteria in a process that is facilitated by the NRC.

In reviewing the independence of Independent Directors, the NRC and Board adopt a qualitative approach in assessing if Independent Directors possess the intellectual honesty and moral courage to advocate professional views without fear or favour.

REMUNERATION

To attract and retain high calibre Directors and Senior Management in order to run the business successfully, Pharmaniaga aims to set remuneration at levels which are sufficient, taking into consideration all relevant factors including the function, workload and responsibilities involved. The Board acknowledges the importance to motivate quality people to lead, manage and serve the Company in a competitive environment. Hence, the appropriate level of remuneration is essential to enhance the long-term interests of the stakeholders.

A review on the quantum and composition of Executive Director and Senior Management's remuneration is undertaken once every three years, and once in every four years for Non-Executive Directors.

The details for the remuneration of Directors for the financial year ended 31 December 2020 for the Group are as follows:

Directors	Fees		Salaries	Bonuses	EPF	Benefit in Kind	Other Allowances		Total	
	Company	Group	Company	Company	Company	Company	Company	Group	Company	Group
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group Managing Director										
Dato' Farshila Emran [1]	–	7,500	255,000	–	40,500	1,800	45,000	45,000	342,300	349,800
Datuk Zulkarnain Md Eusope [2]	–	10,000	260,000	–	42,000	2,400	23,870	24,870	328,270	339,270
Non-Executive Directors										
Datuk (Dr.) Hafsah Hashim [3]	170,400	170,400	–	–	–	24,600	15,000	16,500	210,000	211,500
Mohd Suffian Haji Haron (Senior Independent) [4]	49,494	49,494	–	–	–	–	8,500	8,500	57,994	57,994
Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah *(Retired)* [5]	108,936	108,936	–	–	–	–	23,000	24,500	131,936	133,436
Brigadier General Dato' Mohd Shahrom Mohamad (Rtd.) [6]	67,005	67,005	–	–	–	–	15,000	15,000	82,005	82,005
Dato' Mohd Zahir Zahur Hussain [7]	126,000	147,935	–	–	–	–	21,500	26,500	147,500	174,435
Datuk Koo Hock Fee [8]	89,853	89,853	–	–	–	–	15,000	16,500	104,853	106,353
Dr. Salmah Bahri [6]	53,602	53,602	–	–	–	–	11,500	11,500	65,102	65,102
Dato' Dr. Najmil Faiz Mohamed Aris [9]	40,833	54,543	–	–	–	–	9,000	14,250	49,833	68,793
Datuk Dr. Azhar Ahmad [9]	39,583	61,519	–	–	–	–	6,500	8,500	46,083	70,019
Zulkifli Jafar [9]	50,417	50,417	–	–	–	–	11,000	12,500	61,417	62,917
Dr. Abdul Razak Ahmad [10]	12,361	26,071	–	–	–	–	-	1,000	12,361	27,071
Total	**808,484**	**897,275**	**515,000**	**–**	**82,500**	**28,800**	**204,870**	**225,120**	**1,639,654**	**1,748,695**

Notes:

[1] Group Managing Director until 31 March 2020

[2] Appointed as Group Managing Director on 1 September 2020

[3] Board Member until 26 February 2021

[4] Board Member until 28 April 2020

[5] Board Member until 28 December 2020

[6] Board Member until 20 July 2020

[7] Board Member until 30 March 2021

[8] Board Member until 23 November 2020

[9] Appointed as Board Member on 3 August 2020

[10] Appointed as Board Member on 20 November 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

AUDIT COMMITTEE

The Audit Committee (AC) is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situations.

The AC is chaired by an Independent Director who is distinct from the Chairman of the Board. All members of the AC are financially literate. One of the AC members is a member of the associations of accountants recognised under the Main Market Listing Requirement. The AC has full access to internal and external auditors who, in turn, have access at all times to the Chairman of the AC. The role of the AC and the number of meetings held during the financial year as well as the attendance record of each member are set out in the AC Report of the Annual Report.

BOARD RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee (BRMC) consists exclusively of the Independent Non-Executive Directors. The composition of the BRMC, its duties and responsibilities can be found in the Corporate Governance Report. The BRMC undertakes to provide oversight on the risk management framework of the Group to assist the Board in ensuring that the risk exposures and outcomes affecting the Group are affectively managed and addressed by the Board. More specifically, the BRMC is responsible for formulating policies and frameworks to identify, monitor, manage and control material risks impacting the Group.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its value creation targets by providing risk information to enable better formulation of the Group's strategies and decision making.

For internal audit, the function is carried out by an in-house Group Internal Audit (GIA) from Boustead Holdings Berhad (the immediate Holding Company of Pharmaniaga). The GIA's function reports directly to the AC, and is independent of the activities it audits. GIA's authority, scope and responsibilities are governed by an Internal Audit Charter which is approved by the AC.

Further information on the Group's risk management and internal control framework is made available on the Statement of Risk Management and Internal Control of the Annual Report.

BOARD TENDER COMMITTEE

The Board Tender Committee (BTC) is established to assist the Board in fulfilling its statutory and fiduciary responsibilities in overseeing the process of awarding significant contracts by Pharmaniaga and its subsidiaries. The BTC strives to ensure that it has an appropriate mix of skills and experience to discharge its roles and responsibilities effectively based on the BTC's terms of reference.

COMMUNICATION WITH STAKEHOLDERS

Investor Relations is an essential part of Pharmaniaga's Corporate Governance practice which ensure that all stakeholders, including the domestic and international community receive relevant, timely and comprehensive information about the Group.

The Group is fully committed to maintain a high standard for the dissemination of relevant and material information on the development of the Group. The Group also places strong emphasis on the importance of timely and equitable dissemination of information to stakeholders. Key stakeholder communication modes include Annual Report, unaudited quarterly results, analyst briefings, announcement to Bursa Malaysia, Sustainability Report, corporate website and investor relation activities.

The Group's investor relations activities are aimed at developing and maintaining a positive relationship with all the stakeholders through active two-way communication to improve disclosure and transparency. Key contract person of the Company is as follows:

Norai'ni Mohamed Ali
Group Chief Financial Officer
Tel : +603-3342 9999
E-mail : noraini.aliani@pharmaniaga.com

GROUP CORPORATE WEBSITE

Pharmaniaga Group's corporate website **www.pharmaniaga.com** provides comprehensive and easy access to the latest information about the Group. Information available on the corporate website includes Pharmaniaga's corporate profile, individual profiles of Directors and Senior Management, financial results, annual report and corporate news, amongst others. Additionally, information on the Group's corporate governance structure and framework is available on the corporate website. Stakeholders can also obtain regulatory announcements made by Pharmaniaga to Bursa Malaysia on the Group's corporate website.

CONDUCT OF GENERAL MEETINGS

The Group is of the view that General Meetings are important platforms to engage with its shareholders as well as to address their concerns. During the immediate preceding five years, all Directors were present at the AGMs to answer questions raised by shareholders. The Chairman, Group Managing Director and Chairmen of Board Committees will provide written answers to any significant question that cannot be readily answered. The Group encourages shareholders to attend and participate in the AGM by providing adequate advance notice and holding the AGM at a readily accessible location.

In light of the outbreak of COVID-19 pandemic, Pharmaniaga has accelerated its initiative to implement remote shareholders' participation and online remote voting at the last 22nd AGM by leveraging on technology in accordance with Section 327(1) and (2) of the Companies Act 2016. Shareholders who participated at the 22nd AGM via remote participation were able to submit questions during the AGM for the Company to respond. Shareholders are encouraged to take advantage of the said technology to participate in the upcoming 23rd AGM of the Company.

NOTICE OF 23RD ANNUAL GENERAL MEETING

AGM will be held online at **https://tiih.online**

Date	: **16 June 2021 (Wednesday)**
Time	: **9.00 a.m.**
Venue	: **Royale Chulan Kuala Lumpur**

CORPORATE GOVERNANCE FOCUS AND INITIATIVES

Corporate governance continued to be imperative for the Group in the year 2020 against the backdrop of regulatory changes in the domestic corporate governance realm and a relatively challenging economic environment.

Against the aforementioned setting, during the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders.

Corporate governance areas which gained heightened attention from the Board during the financial year ended 31 December 2020 are as follows:

Independence of the Board

It is recognised that having objectivity in the boardroom extends beyond quantitative measures such as number of independent directors and their respective tenures. In order to harness the collective wisdom from greater participation of independent directors, they have access to key gatekeepers of the Group such as external and internal auditors to discuss or share concerns about the Group and exchange views on potential improvements in governance. As recommended by MCCG, during the year under review, majority of the Board comprised of Independent Directors.

Induction Programme

A comprehensive induction programme has been established to ease new Directors into their new role and to assist them in their understanding of the Group's business strategy and operations. New Directors are required to attend the programme as soon as possible once they have been appointed. Typically undertaken within a period of one day, the programme includes intensive sessions with the Group Managing Director and the Heads of Divisions, wherein new Directors will be briefed and updated on the challenges and issues faced by the Group. As a commitment to upholding integrity, the new Directors took the anti-bribery pledge during the Board's induction session.

Succession Planning

The Board has adopted a policy that the tenure of its directors, be it independent or non-independent, shall not exceed a cumulative term of nine years either in a consecutive service of nine years or cumulative service of nine years with interval. In acknowledging the importance of a seamless succession plan to safeguard the Group's business continuity and retain the confidence of shareholders, the Board had undertaken a review of its composition and had identified the skills, knowledge, experience, mindset and intrinsic values required to succeed the outgoing independent directors upon their departure.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

In this regard, the Company had appointed new board members from a diverse background of skills, professional experience, age, ethnicity and culture to provide different perspective and view points for better decision making to replace the outgoing directors.

At the same time, the Board has also reviewed the composition of each of its Board Committees to ensure the Board Committees continue to function effectively upon the departure of its former board members.

Boardroom Diversity

The Board recognises the importance of diversity in averting "groupthink" and "blindspots" in the deliberation and decision making process. Recognising gender as a key facet of the various diversity dimensions, the Board is committed to developing a corporate culture that also embraces the aspect of gender diversity.

Professional Development of Directors

During the year under review, Directors were accorded with a host of opportunities to develop and maintain their skills and knowledge. Directors attended various training programmes to keep themselves abreast of changes in legislative promulgations and industry practices. To enhance their knowledge and performance, the Board Members made it a point to attend as many training sessions as they possibly could despite the COVID-19 pandemic.

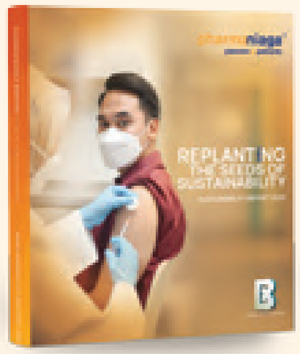
The list of training programmes attended by the Board members during the year under review are outlined below.

Name	Programme Title & Organiser	Date
Independent Non-Executive Chairman **Datuk (Dr.) Hafsah Hashim** *(Board Member until 26 February 2021)*	Mandatory Accreditation Programme by CKM Advisory	8-9 April 2020
	Panelist at SMEs Post – MCO: Surviving the Shifting Landscape by Bank Islam	23 July 2020
	Participant at Webinar seminar – "Preparing Board for a Post Covid World"	14 August 2020
	Speaker at Innovative Leader of the Future by Higher Education Leadership Academy (AKEPT)	21st-22nd September 2020
	Participant at Think Talk by WIEF: Accelerating Growth Amid Turmoil	20 October 2020
	Participant at E-Nation Virtual Conference: Propelling a Resilient Economy	20-23 October 2020
	Panelist at ASEAN Women CEO Summit: Respond to Change	9 November 2020
Group Managing Director **Dato' Farshila Emran** *(Board Member until 31 March 2020)*	-	-
Datuk Zulkarnain Md Eusope *(Appointed on 1 September 2020)*	-	-

Name	Programme Title & Organiser	Date
Senior Independent Non-Executive Director **Mohd Suffian Haji Haron** *(Board Member until 28 April 2020)*	-	-
Independent Non-Executive Director **Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired)** *(Board Member until 28 December 2020)*	Meet & Greet New Board Members of Pharmaniaga Berhad	14 August 2020
Brigadier General Dato' Mohd Shahrom Mohamad (Rtd.) *(Board Member until 20 July 2020)*	Raising Defences: Section 17A, MACC Act by The Iclif Leadership and Governance Centre	8 January 2020
Dato' Mohd Zahir Zahur Hussain *(Board Member until 31 March 2021)*	-	-
Dr. Salmah Bahri *(Board Member until 20 July 2020)*	-	-
Dato' Dr. Najmil Faiz Mohamed Aris *(Appointed as Board Member on 3 August 2020)*	Meet & Greet New Board Members of Pharmaniaga Berhad	14 August 2020
Datuk Dr. Azhar Ahmad *(Appointed as Board Member on 3 August 2020)*	Meet & Greet New Board Members of Pharmaniaga Berhad	14 August 2020
Zulkifli Jafar *(Appointed as Board Member on 3 August 2020)*	Meet & Greet New Board Members of Pharmaniaga Berhad Mandatory Accreditation Program (MAP) by CKM Advisory	14 August 2020 19-21 October 2020
Dr. Abdul Razak Ahmad *(Appointed as Board Member on 20 November 2020)*	-	-
Non-Independent Non-Executive Director **Datuk Koo Hock Fee** *(Board Member until 23 November 2020)*	Mandatory Accreditation Program (MAP) by CKM Advisory	19-21 October 2020

CORPORATE GOVERNANCE PRIORITIES

The Board recognises that there are always opportunities for improvement in its corporate governance activities in order for the Group to continue to instill trust and confidence amongst stakeholders. The Board has identified the following set pieces on its horizon that will help it to achieve its corporate governance objectives.



Sustainability Report 2020

BOARDROOM DIVERSITY

The Board is already committed to developing a corporate culture that also embraces the aspect of gender diversity. This is reflected by the establishment of Gender Diversity Policy and the fact that the present composition of Senior Management of the Group, of which 46% are women.

SUSTAINABILITY REPORTING

Pharmaniaga aims to leverage on its existing qualitative sustainability indices and adopt a more mature form of sustainability reporting. The Board will set the direction for management to establish necessary systems and controls with the presence of quality non-financial data that will support the development of such forms of reporting. Pharmaniaga will also actively engage stakeholders to formalise a better understanding of what is expected and desired from its sustainability reporting.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to nurture and preserve throughout Pharmaniaga Berhad (the Company) and its subsidiaries (the Group) a sound system of risk management and internal controls and good corporate governance practices as set out in the Board's Statement on Risk Management and Internal Control, made in compliance with Paragraph 15.26(b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Issuers.

RESPONSIBILITIES AND ACCOUNTABILITIES

THE BOARD OF DIRECTORS

The Board of Directors (the Board) continually articulates, implements and reviews the adequacy and effectiveness of the Group's enterprise wide risk management and internal control system which has been embedded in all aspects of the Group's activities. The Board reviews the processes, responsibilities and assesses for reasonable assurance that risks have been managed within the Group's risk appetite and tolerable ranges. This is to ensure that the system is viable and robust.

Recognising the everchanging risk landscape, the Group's system is designed to effectively manage and mitigate the risks to avoid any impact in the Group pursuing its business objectives. Accordingly, such systems can only provide a reasonable but not absolute assurance against material misstatement, loss or fraud, and that any adverse impact arising from a foreseeable future event or situation on the Group's objectives is mitigated and managed. The Board acknowledges its overall responsibility in establishing a sound system of risk management and internal control as well as reviewing its adequacy and effectiveness in identifying, assessing and responding to risks to achieve the Group's objectives.

The process is regularly reviewed by the Board via Risk Management Committee (RMC) and accords with the guidelines for directors on internal control, the Statement on Risk Management & Internal Control: Guidelines for Directors of Public Listed Issuers. The RMC was chaired by the Independent Non-Executive Director.

During the financial year 2020, the RMC reviewed, appraised and assessed the controls and actions in place to mitigate and manage the overall Group's risk exposure, as well as raised issues of concerns and recommended mitigating actions. The RMC reports to the Board on a quarterly basis and as part of its monitoring activity to ensure key risks are deliberated and mitigating actions are implemented.

THE MANAGEMENT

The Group has established an appropriate risk management infrastructure which is tailored to the specific circumstances of the Group and guided by Risk Management Framework of Boustead Holdings Berhad (BHB) (the immediate holding company of Pharmaniaga Berhad) to ensure that the Group's assets are well-protected and shareholders' value enhanced.

The management, within the Risk Management Framework is responsible for implementing the process of identifying and assessing the risks faced by the Group. Thereafter, designing, implementing and monitoring suitable internal controls to mitigate and control these risks. The Board, through RMC ensures that the management undertakes such actions as may be necessary in the implementation of the policies and procedures on risk and control approved by the Board.

A formal Management Control Policy (MCP) spells out the internal control responsibilities of the managers, at all levels of the organisation to ensure that they are at all times fully aware of their internal control's responsibilities. The MCP also clarifies the responsibilities of the Internal Audit function to complement, the Internal Audit Charter and this Statement on Risk Management and Internal Control.

KEY ELEMENTS OF RISK MANAGEMENT FRAMEWORK

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

The management, through the Risk Management Workgroup Committee (RMWC), is entrusted with the responsibility of implementing and maintaining the Group's Risk Management Framework.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

The RMWC is headed by the Group Managing Director and assisted by the Heads of Divisions to drive the Risk Management of the Group. The Group's Risk Management Framework has the following key attributes:

Risk Governance and Strategy

The risk governance and strategy are established within the Group in three levels:

i. Day-to-day risk management residing at the business units and divisions through practical controlling processes that require and encourage the management and employees to carry out their duties in an ethically compliant manner.

ii. As outlined in the MCP, the Heads of Divisions are entrusted to:

   - Evaluate the risk exposures which relate to their particular spheres of operations;
   - Coordinate the development of appropriate risk mitigation action plans;
   - Update the Business Continuity Plan for key business risks including continuous expansion of non-concession business and explore new business opportunities to reduce reliance on concession business;
   - Monitor the results of key performance indicators; and
   - Ensure good corporate governance.

iii. The RMC via the Internal Audit function is responsible for monitoring the responsibilities of the management and reporting to the Board matters deemed critical to the organisation's risk management activities including the implementation of the appropriate systems to manage risks at an appropriate level.

Risk Analysis and Measurement

In line with the Group's focus on expanding its business activities, the RMWC had undertaken a more detailed approach towards assessing risks relating to doing business locally and internationally. The Group's Risk Register has been established and updated regularly to align the risk appetites of the Group to the business plan and to fit them into the Risk Management Framework. The Risk Register analyses the different risk exposures and appetites across different divisions within the Group and examines the root cause and potential consequences of the identified risks to the operations of the divisions. The Risk Register also documents the ratings of risks to facilitate the development of the appropriate and optimal action plans by the Management. Action plans to mitigate and manage risks will be included in the register to ensure clear commitments and responsibilities are agreed at all levels in the organisation.

During the year, the Risk Register was reviewed in the risk management meetings, and RMWC concluded that the Group's risk management provides reasonable control to mitigate the exposure to significant risks.

Consistent with the Group's commitment to manage risk in a proactive and effective manner, 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.

Risk Assessment Reviews

The Group's Risk Management Framework provides for regular review and reporting. For the financial year 2020, in consideration of the COVID-19 pandemic, updates were given and done online through email, where the RMWC assessed the overall risk profile and appetite of the Group, identified the significant risks, updated the Risk Register and prepared the action plans for mitigation. Risk assessment reports comprising the Action Plans on Significant Risk and Risk Register were tabled to the Board on 19 February 2020, 19 May 2020,19 August 2020 and 19 November 2020. In addition, the reports were submitted to the Group Internal Auditors (GIA) for an independent assessment on the adequacy and reliability of the risk management processes within the Group.

The Group's Indonesian operations was impacted by the COVID-19 pandemic and government imposed movement restrictions. The Group will closely monitor and be proactive in the management of associated risks by engaging and working with the government in office to improve business, consumer and market sentiments in addition to complying with the governments' directives to address the COVID-19 pandemic impacts.

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.

KEY ELEMENTS OF INTERNAL CONTROL FRAMEWORK

AUDIT COMMITTEE

The Audit Committee (AC) is responsible for overseeing, monitoring 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 AC 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 RMC is responsible for assisting and reporting to the Board matters which are deemed critical to the organisation's controlling processes and risk management activities including the implementation of the appropriate systems to manage risks. The Board, through the RMC maintains risk oversight for the Group.

Group Internal Audit

The Group Internal Audit (GIA) from Boustead Holdings Berhad's principal responsibility is to provide independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and enhance the effectiveness of risk management, control and governance processes. GIA carries out audit based on the plan approved by the AC annually. GIA adopts a risk-based methodology in planning and conducting audit by focusing on key risk areas.

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

Areas of improvements have been identified as a result of the review, improvement measures are recommended to strengthen controls and follow up audits are conducted by the GIA to assess the status of implementation thereof by the management.

CONTROL SYSTEMS AND PRACTICES

The internal control system of the Group is supported by the control systems and practices which provide the discipline and structure, to sustain organisational support of the management and employees. The control systems and practices that encompass organisation structure, governance activities and practices include:

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 operation requirements in order to support the maintenance of a strong control environment. The Group has nine divisions with each division has been given clear responsibilities in terms of achieving the Group's objectives. Notably, the following divisions or units strengthen the Group's internal control framework:

i. Procurement

The Procurement unit is entrusted with internal control responsibilities for prices 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 embedding best procurement practices that emphasise smart spending, ensuring competitive cycle times, eradicating leakages, enhancing transparency and developing an extensive supplier base.

ii. Regulatory Affairs and Corporate Governance

The Regulatory Affairs and Corporate Governance Divisions establish compliance at all levels of the Group's operations and ensure they operate in accordance with relevant legislations. 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.

Written policies and procedures on the limits of delegated authority

The Group has put in place a 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. During the year, the LOA has been reviewed to ensure that they continue to be relevant and effective. The revised LOA has been distributed to the respective levels of management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

Clearly documented standard operating procedures manuals

Written policies are established to guide how a department or an individual within the Group works or behaves and provide guidance to employees as to what their obligations are. The policies and procedures also form part of the various management systems and are reviewed regularly and updated when necessary. Briefings and trainings are frequently held to enhance employees' awareness on the policies and procedures.

Subsidiaries within the Group have implemented several Internationally Accredited Management Systems to standardise its management and operational processes and to further improve its efficiency. Few of our subsidiaries have been awarded with various Management System certifications, amongst others:

- MS ISO 37001: 2016 Anti-Bribery Management Systems
- ISO 45001: 2018 Occupational Health and Safety Management Systems
- OHSAS 18001: 2007 Occupational Health and Safety Management Systems
- ISO 27001: 2013 Information Security Management Systems
- ISO 9001: 2015 Quality Management Systems
- ISO 14001: 2015 Environmental Management Systems
- ISO/IEC 17025: 2017 Laboratory Quality Management Systems
- ISO/IEC 17025: 2005 Laboratory Quality Management Systems
- Good Manufacturing Practice Certification (Malaysia & Indonesia)
- EU Good Manufacturing Practice Certification (Portugal)
- ISO 13485: 2016 Medical Devices Quality Management Systems
- Malaysia Halal Certification
- MESTI Certification
- Good Distribution Practice Certification
- Good Distribution Practice Medical Device Certification
- ISO 18295-1: 2017 Customer Contact Centres

These certifications reflect the Group's commitment in safeguarding safety and health of employees and the environment as well as ensuring the quality deliverables to customers.

Whilst Anti-Bribery Management System certification demonstrates that we uphold on transparency and integrity in our day-to-day business activities.

The business operations of the Group are also governed by various regulations and laws applicable to the healthcare industry. Compliance audits are regularly conducted by various independent bodies for the various certifications and licences obtained from SIRIM, the National Pharmaceutical Regulatory Agency, JAKIM and certain multinational companies' evaluation committees.

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

Code of Conduct and Ethics

The Senior Management and the Board set the tone at the top for corporate behaviour and corporate governance. The Group has in place a Code of Conduct and Ethics for employees to govern the standard of ethics and good conducts. All employees are subjected to the Company Policy on Confidentiality Agreement, Information Security Policies and Standards, Conflict of Interest Declaration, Statement of Integrity, Gifting Policy, Donation Policy, Anti-Bribery Policy and Personal Data Protection Act 2010. Appropriate remedial and disciplinary measures such as warning letters and dismissal are also in place to deal with any breach of the above policies.

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 the Management by the Board to carry out the agreed strategies and action plans.

Based on strategies identified, the Annual Operating Plan for 2021 were drawn up and approved by the Board on 19 November 2020 and the Five-Year Business Plan together with Key Performance Indicators (KPIs) were drawn up and approved by the Board on 12 January 2021.

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 in the Strategic Planning Sessions are used to develop the Annual Operating and Five-Year Business Plan.

Business plans, budgets and KPIs are aligned to the Group's Five-Year Strategic Plan, to 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 management meetings and quarterly Board meetings. Effective utilisation of the budget is attained through regular monitoring by the Management.

The Group has also established processes and procedures to ensure the quarterly financial information and annual audited financial statements, which covers the Company's performance, are submitted to Bursa Malaysia for release to stakeholders, on timely basis. Quarterly results are reviewed and approved by the Board prior to announcement.

The annual reports of the Company that include the annual audited financial statements together with the auditors' and directors' reports are issued to the shareholders within the stipulated time prescribed under the MMLR of Bursa Malaysia.

Human Resources Policies and Procedures

Documented internal policies, standards and procedures are in place to ensure compliance with internal controls and relevant laws and regulations. Key policies and procedures, advice as well as support provided include: performance management, annual performance review, disciplinary matters, recruitment and selection, learning and development, leave and grievance matters.

Training and development programmes are identified and established to ensure that employees are continually trained and developed in order to be well equipped with enhanced skills and competencies to carry out their responsibilities toward achieving the Group's objectives.

Manpower planning exercise is conducted on an annual basis within the Group with the allocated budget. The planning exercise enables the Management to determine and to identify present and prospective needs of human capital resource and recruit the required number of suitable personnel. In addition, the Management will also promote or transfer the employees as per the Group's requirements.

Policies and procedures are issued to all Heads of Departments and reviews are conducted periodically to ensure all policies and procedures remain current and relevant. The relevant parts of the terms and conditions of employment and appropriate policies and procedures are included in the Employee Handbook which is accessible to all employees via the intranet.

The policies and procedures are meant to provide consistent management of resources transactions across the Group. It is aimed to set out obligations, standards of behaviours and support in building the organisational culture.

Tender Award System

As part of the Group's continuous efforts to enhance transparency, coordination and control on procurement of goods and services for projects above a determined threshold, a Management Tender Committee, which comprise representatives from various departments i.e. Finance, Legal and other related departments, led by the Head of Procurement met prior to submission to the Board Tender Committee. This is to ensure the effectiveness of the control system is embedded in the process of awarding tenders.

Insurance

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

Credit and Liquidity Management

These risks arise from the inability to recover debts in a timely manner which may adversely affect the Group's profitability, cash flows and funding. The Group's credit management policy aims to minimise credit and payment risk by providing a set of rigorous criteria with the following measures:

- Assessing the creditworthiness of potential customers before granting credit limits and terms;
- Close monitoring of collections and overdue debts; and
- Ensuring effective credit utilisation to keep leverage at a comfortable level.

Special COVID-19 Task Force and Crisis Action Plans

Although the Malaysian Government has allowed the pharmaceutical industry to continue to operate as it was considered as essential services to the country, the COVID-19 virus outbreak that has been declared as a global pandemic by the World Health Organisation on 11 March 2020 had affected the sales to both government and private sector customers.

Whilst the Group operations were not affected by the shutdown during the period, the Group ensures the necessary procedures are put in place to manage the risk and closely monitors the situation to ensure its operations are not disrupted and it is in compliance with the regulations and rules imposed by the authorities during the movement control period. The Group is wary of the COVID-19 pandemic and has taken the necessary steps including setting up a Special COVID-19 Task Force to protect its employees, contractors and suppliers. The steps taken are in compliance with the rules and regulations imposed by the authorities during the movement control period.

Pharmaniaga's Special COVID-19 Task Force comprises employees from inter departments which includes; Quality and Safety department, Human Capital Management, Administrative department, Heads of Divisions and Corporate Communications department to manage the potential risks, addressing the safety of personnel and ensuring the continuity of the organisation. The action plans are derived in tangent of the Government's SOP, policies and definition of categories defined in regards to the COVID-19 pandemic. The special task force was established to facilitate the Company's efforts in managing COVID-19 related risks across the organisation, where it coordinates the actions and control measures that aim to comply with Government mandated SOPs and mitigate risks related to COVID-19 for the safety and health of our workers.

The special task force has outlined the crisis action plan that serves as a guideline to probe actions to be taken in the event of an emergency and efforts has been taken ranging from:

- Mandatory COVID-19 health screening for employees and visitors;
- Active sanitisation activities and daily temperature readings;
- COVID-19 swab tests to employees;
- Introducing alternative work from home arrangements;
- Postponing group events and trainings; and
- Awareness activities on the SOP's and current progression of the pandemic.

These measures are updated from time to time and the Group will continue to monitor the situation closely and will do whatever is necessary to protect its employees and the supply chain whilst ensuring business continuity.

MONITORING

Relevant processes adopted to monitor the adequacy and integrity of the systems of internal control include:

Regular Monthly Reporting

Management and 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. Monthly performance is also reviewed against the targets allowing for timely response and corrective action to be taken to mitigate risk.

Performance Management

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

- Financial (F)
- Customer (C)
- Internal Business Process (I)
- Organisational 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. The Group adopt the 360-degree appraisal into PMS, which aims to further enhance the evaluation of individual as well as team performance. This system has been implemented for employees of all levels.

Internal Audit Function

The Internal Audit function provides an independent, objective assurance on the areas of operations reviewed, and advise on the best practices that will improve and add value to the Group's internal control. The GIA from Boustead Holdings Berhad adopts a risk-based methodology in planning and conducting audits by focusing on significant risks as identified by the Management.

COMMUNICATION

A sound communication channel ensures important information to be identified, documented and shared in a form and timeframe that enable people to carry out their responsibilities effectively and efficiently. Platforms available to enhance transparent and effective communication include:

Assembly and session with the Management

The Management is committed to a transparent and effective communication and values the feedback from employees in order to motivate them to deliver high quality and efficient services to the customers and other stakeholders. During the year, prior to the COVID-19 pandemic, employees' briefings were conducted as the platform of a two-way communication between the Management and the employees, to bring up matters ranging from operations to welfare, as well as updates on the Group's business directions. The briefings were attended by all employees within the Group, including the branches based in other locations via web conferencing.

Whistleblower Policy

The Whistleblower Policy provides a platform and acts as a mechanism for parties to channel their complaints or to provide information on fraud, wrongdoings 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 reported to the Board.

Revolution of work culture – *DO IT RIGHT*

One of the core values of the Group is integrity by acting professionally, fairly and with better *Do It Right* work culture. This is the basis of the whole revolution of work culture that the Group have embarked since 2015. The campaign is continued with *Do It Right Always* (DIRA).

The DIRA campaign was launched to inculcate a Quality Culture where each individual take ownership of quality outcomes and always do things right. This campaign is a quality management concept which emphasises that defect prevention is more advantageous and cost effective than defect detection and associated work. In other word, prevention is better than cure. The DIRA campaign aims to convey three main themes:

- Foster and develop;
- Engage and measure; and
- Improve and learn

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

Throughout 2020, various activities have been organised for the employees at all branches in Malaysia in order to build and maintain the culture of compliance. The activities include:

i. compliance messages that were communicated routinely to all employees via emails and audio announcements;

ii. dialogue session with D-Agents (working committee) to promote interactive discussion on *Do It Right* awareness;

iii. trainings and induction programmes to enhance the knowledge on internal control amongst employees;

iv. *Do It Right* Week and recognition awards to promote enhance awareness on *Do It Right* campaign, to strengthen relationships and create bonding among employees in the Company and to inculcate ownership in achieving quality culture;

v. Health Living programme;

vi. engaging employees with community and amongst employees through activities such as mini campaigns, competitions, gatherings, Gemba Walk, Blood Donation programmes and quality meetings.

vii. COVID-19 related activities; from mandatory health screening checkpoints for all employees and visitors, frequent sanitisation activities, formation of the Special COVID-19 Task Force and crisis action plans, periodic COVID-19 swab tests to all employees and awareness activities to instil SOP and hygienic culture throughout the Group.

ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

The monitoring, review and reporting arrangements in place provide 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.

For the financial year under review and up to the date of issuance of this statement, the Board is pleased to state that the Group's system of risk management and internal control was rated overall as satisfactory, adequate and effective for the Group's purpose and safeguards the Group's assets and shareholders' investments, as well as the interests of customers, employees and other stakeholders. There have been no material losses, contingencies or uncertainties identified from the reviews. The Board will continue to monitor all major risks affecting the Group and will take the necessary measures to mitigate them and enhance the adequacy and effectiveness of the risk management and internal control system of the Group.

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 stakeholders, i.e. customers, regulators, employees and the Group's assets.

ASSURANCE FROM MANAGEMENT

For the financial year under review, based on inquiry, information and assurances provided by the Group Managing Director and Group Chief Financial Officer, the Board is satisfied that the system of internal control was generally satisfactory. 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

As required by paragraph 15.23 of the MMLR of Bursa Malaysia, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 (AAPG 3) issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement has been approved by the Board of Directors on 30 April 2021.

AUDIT COMMITTEE REPORT

During the financial year, the Audit Committee carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the internal auditors, external auditors and relevant members of Management. The Audit Committee is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

MEMBERSHIP AND TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Membership of the Audit Committee is appointed by the Board of Directors from amongst the Non-Executive Directors and consists of three members, whom are Independent Directors and one who is a Non-Independent Director. The Chairman of the Audit Committee is appointed on 6 April 2021 replacing Dato' Mohd Zahir Zahur Hussain who ceased to be the Chairman of the Audit Committee following his resignation on 30 March 2021. The other members of the Audit Committee are Zulkifli Jafar, Dr. Abdul Razak Ahmad and Izaddeen Daud whom were appointed as a member of the Audit Committee on 3 August 2020, 23 November 2020 and 12 May 2021 respectively.

MEETINGS AND MINUTES

A total of four meetings were held during the financial year. Details of the composition of the Committee and the attendance by each member at the Committee meetings are set as follows:

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Zainal Abidin Shariff [1] *(Appointed on 6 April 2021)*	Independent Non-Executive Director *(Chairman of the Committee)*	Yes	-
Dato' Mohd Zahir Zahur Hussain *(Resigned on 30 March 2021)*	Independent Non-Executive Director	Yes	3/4
Mohd Suffian Haji Haron *(Resigned on 28 April 2020)*	Senior Independent Non-Executive Director	Yes	1/1
Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah *(Retired)* *(Resigned on 3 August 2020)*	Independent Non-Executive Director	Yes	2/2
Brigadier General Dato' Mohd Shahrom *(Rtd.)* *(Resigned on 20 July 2020)*	Independent Non-Executive Director	Yes	2/2
Datuk Koo Hock Fee *(Resigned on 23 November 2020)*	Non-Independent Non-Executive Director	No	2/2
Zulkifli Jafar *(Appointed on 3 August 2020)*	Independent Non-Executive Director	Yes	2/2
Dr. Abdul Razak Ahmad *(Appointed on 23 November 2020)*	Independent Non-Executive Director	Yes	-
Izaddeen Daud *(Appointed on 12 May 2021)*	Non-Independent Non-Executive Director	No	-

Note: [1] The Audit Committee Chairman's profile can be viewed on page 23 of this Annual Report.

AUDIT COMMITTEE REPORT (Cont'd)

The Audit Committee membership is in line with Paragraph 15.09 and 15.10 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities and Malaysia Code of Corporate Governance (MCCG) Practice 8.1 and 8.2, in which;

- All members are Non-Executive Directors and majority of the members are Independent Directors;
- No alternate director is appointed as a member;
- One of the members of the Audit Committee is a member of the Malaysian Institute of Accountants;
- The Chairman of the Audit Committee is not the Chairman of the Board; and
- None of the Committee members is a former key audit partner of the Company's external auditor.

The Audit Committee meetings were also attended by the Group Managing Director, Group Deputy Managing Director, Group Chief Financial Officer and Head of Internal Audit at the Audit Committee's invitation and as and when appropriate. The Audit Committee also met with the external auditors during the year on two separate sessions, without the presence of management. The meetings have been appropriately structured with Audit Committee members receiving notices, agendas and papers sufficiently in advance of the meetings.

The Audit Committee Chairman reports to the Board on principal matters deliberated at Audit Committee meetings.

Minutes of each Audit Committee meeting are recorded and tabled for confirmation at the following meeting and subsequently presented to the Board for notation. The Audit Committee Chairman also conveys to the Board matters of significant concern as and when raised by the external auditors or internal auditors.

All members of the Audit Committee have and will continue to undertake professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Details of the Audit Committee members' trainings can be viewed on pages 98 to 99 of this Annual Report.

SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the year, the Audit Committee carried out its duties as set out in its Terms of Reference. The information on the Terms of Reference of the AC is available on Pharmaniaga's website, www.pharmaniaga.com. The main activities undertaken were as follows:

Financial Reporting

1. Reviewed the quarterly unaudited financial results and audited annual financial statements of the Group to ensure compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors.
2. Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements.
3. Obtained assurance from the Group Chief Financial Officer that:
    - appropriate accounting policies had been adopted and applied consistently;
    - the going concern basis applied in the annual financial statements and quarterly financial statements was appropriate;
    - prudent judgements and reasonable estimates had been made in accordance with Malaysian Financial Reporting Standards (MFRSs);
    - adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs and MMLR; and
    - the annual financial statements and the quarterly financial statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2020.

External Audit

During the year, the Audit Committee together with the external auditors:

1. Reviewed 2020 audit plan and scope of work for the Group.
2. Reviewed the audit fees, the number and experience of audit employees assigned to the audit engagement, resources and effectiveness of the external auditors.
3. Reviewed the performance of external auditors, their independence and objectivity.
4. Discussed on audit reports and evaluation of the systems of the internal controls.

5. Reviewed major audit findings and reservations arising from the interim and final audits, significant accounting issues and any matter the external auditors may wish to discuss.

6. Reviewed the external auditors' management letter(s) and management response(s).

The Audit Committee met with the external auditors twice during the year in the absence of Management to discuss amongst others, audit issues and reservations arising from the interim and final audits.

The external auditors have assured the Audit Committee that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for 2020.

The external auditor's non-audit service fees and the statutory audit fees are available on page 168 of this Annual Report.

Internal Audit

During the year, the Audit Committee:

1. Reviewed with the internal auditors their annual audit plan which is risk-based and focused on significant risk areas to ensure adequate scope and comprehensive coverage over the activities of the Group.

2. Reviewed and deliberated internal audit reports and to monitor or follow-up on remedial action.

3. Reviewed the corrective actions taken by the Management in addressing and resolving issues as well as ensuring that all key issues were adequately addressed on a timely basis.

4. Reviewed the adequacy of resource requirements and competencies of employees within Group Internal Audit to execute the annual audit plan and the results of the work.

5. Reviewed the effectiveness of internal audit processes and the resources allocated to Group Internal Audit.

6. Reviewed the Audit Committee Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control and recommended to the Board for approval prior to their inclusion in the Company's annual report.

Related Party Transactions

1. 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.

2. Monitored the related party transactions entered by the Company and the Group pursuant to the shareholders' mandate obtained at the Annual General Meeting held on 20 July 2020.

3. Reviewed the related party transactions entered by the Company and the Group as well as the disclosure and the procedures relating to related party transactions.

4. Reviewed the Framework and Procedures on related party transactions in order for the said framework to be abreast of the provisions of the MMLR.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by Group Internal Audit (GIA) of Boustead Holdings Berhad (the immediate Holding Company of Pharmaniaga Berhad) headed by a member of The Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (MIA) with over 14 years of working experience in a wide range of fields including finance and accounting, risk management, integrity, governance, property and plantation. GIA's principal responsibility is to evaluate and improve the effectiveness of the risk management, control and governance processes of Pharmaniaga Berhad and its subsidiaries and recommend improvements to the processes where required. 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.

GIA adopts a risk-based methodology in planning and conducting audits by focusing on key risk areas and activities that are aligned with the Group's strategic plans. GIA has also adopted internal audit standards and best practices based on the International Professional Practices Framework (IPPF) promulgated by The Institute of Internal Auditors.

The terms of reference of GIA are clearly spelt out in the Internal Audit Charter. GIA has operated and performed in accordance with the principles of the Charter that provides for its independence. GIA reports directly to the Audit Committee and is independent of the activities it audits. GIA has an adequately resourced internal audit function to assist the Audit Committee and the Board in maintaining an effective

AUDIT COMMITTEE REPORT (Cont'd)

system of internal control and overall governance practices within the Company and the Group.

Eight internal auditors from GIA were assigned to perform the audit of manufacturing, logistics and distributions, commercial sales & marketing, support functions and Indonesian business (manufacturing) during the year. GIA completed and issued internal audit reports for eight assignments based on the approved annual audit plan. The audits conducted in 2020 covered a wide range of operational areas within the Group which include review of production & inventory management, quality control, procurement and contract management, sales & marketing processes and facilities maintenance. The corresponding audit reports were presented to the Audit Committee for attention, deliberation and corrective actions.

INTERNAL AUDIT ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year, GIA undertook the following activities:

- Prepared the annual audit 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 on risk management, control and governance issues identified from the risk-based audits together with recommendations for improvements for these processes.
- Conduct root-cause analysis as part of the internal audit work to enable relevant recommendations to address any weaknesses noted.
- Undertook ad-hoc reviews and investigations on matters arising from the audits and/or requested by the Management and/or Audit Committee and issued reports accordingly.
- Reported on a quarterly basis to the Audit Committee on significant risk management, control and governance issues from the internal audit reports issued. The results of the investigations and special reviews undertaken as well as the results of follow-up of matters were reported.
- Reported on a quarterly basis to the Audit Committee the achievement of the audit plan and status of resources of GIA.
- Conducted regular follow-up and monitoring on the implementation of recommendations made to ensure that appropriate corrective or preventive actions were taken on a timely basis or within agreed timelines.
- Liaised with the external auditors to maximise the use of resources and for effective coverage of the audit risks.
- Reviewed the procedures relating to related party transactions entered into by the Group to ensure that the transactions have been conducted on the Group's normal commercial terms and are not to the detriment of the Group's minority shareholders.
- Conducted workshops and communication sessions with the Management and operational employees on internal controls, internal audit observations and proposed action plans on the areas covered during the audit processes.

All audit work for the internal audit function during the year was conducted in-house. There were no areas of the internal audit programmes which were outsourced.

Resources and Continuous Professional and Competency Development

There are a total of 35 internal auditors in Boustead Holdings Berhad in which they are teamed based on the various divisions within Boustead Group. For the financial year ended 31 December 2020, GIA carried out the audits in Pharmaniaga Berhad with the total costs incurred amounting to RM259,462.

GIA continues its commitment to equip their internal auditors with the sufficient knowledge, skills and competencies to discharge their duties and responsibilities. They had attended various relevant training and courses as well as are strongly encouraged to obtain appropriate professional certifications and qualifications. As at 31 December 2020, GIA had a total of 9 qualified professionals in its team who possess various professional qualifications and/or certifications as shown below:

Qualification	No. of certification obtained
1) MBA/Masters	5
2) FCCA/CPA/CA/ACCA	7
3) Certified Internal Auditor (CIA)	1
4) Certified Fraud Examiner (CFE)	4
Total	17

STATEMENT OF DIRECTOR'S RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2020 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 to ensure that the Group and the Company keep 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 2016.

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, detect fraud and other irregularities.

This statement has been approved by the Board of Directors on 18 March 2021.

FINANCIAL STATEMENTS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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 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 14 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	26,269	13,857
Attributable to:		
Owners of the parent	27,489	13,857
Non-controlling interests	(1,220)	-
	26,269	13,857

DIVIDENDS

Since the end of the previous financial year, the Directors have declared the following dividends in respect of the financial year ended 31 December 2020:

	Dividend		
	Sen per share	RM'000	Payment Date
First interim single tier dividend	6.0	15,674	30 June 2020
Second interim single tier dividend	2.5	6,543	6 October 2020
Third interim single tier dividend	1.5	3,925	29 December 2020
Fourth interim single tier dividend	1.0	2,617	22 April 2021
	11.0	28,759	

On 17 March 2021, the Directors declared a fourth interim single tier dividend of 1.0 sen per share amounting to RM2,617,000 in respect of the financial year ended 31 December 2020 which will be paid on 22 April 2021 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2020.

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.

DIRECTORS' REPORT

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM151,878,885 to RM153,339,345 through the issuance of 476,000 ordinary shares pursuant to the Long Term Incentive Plan at no consideration.

The new ordinary shares issued during the financial year ranked pari passu in all respect with the existing ordinary shares of the Company.

SHARE SCHEME

On 13 May 2016, the Company implemented the Share Scheme comprising Option Plan and Long Term Incentive Plan ("LTIP") after approval was obtained from Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Share Scheme is governed by By-Laws approved by the Company's shareholders at the Extraordinary General Meeting held on 29 March 2016.

Option Plan

The principal features of the Option Plan are as follows:

(a) Directors and selected Senior Management Officers ("Eligible Employees") can subscribe under the Option Plan for new ordinary share in the Company. The number of options granted is subject to the seniority of the respective Eligible Employees as provided under the Option Plan By-Laws.

(b) Options granted under the Option Plan shall expire on 14 May 2021. Any extension of time of the Option Plan would have to be approved by the relevant authorities and shareholders of the Company in a general meeting. The Company in a general meeting may terminate the Option Plan prior to the expiry date.

(c) The option price under the Option Plan shall be based on the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia for the five Market Days immediately preceding the date of offer subject to a discount not more than ten percent (10%) at the Scheme Committee's discretion.

(d) The new ordinary shares shall rank pari passu in all respect with the existing ordinary shares of the Company.

As at 31 December 2020, particulars of the outstanding options granted under the Option Plan were as follows:

		← Number of options over ordinary shares →				
Date of grant	**Option price**	**At 1.1.2020**	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2020**
13 May 2016	RM5.04	8,040,000	-	-	(6,000,000)	2,040,000

DIRECTORS' REPORT

SHARE SCHEME (CONTINUED)

Option Plan (continued)

Details of the persons who were granted options to subscribe shares under the Option Plan during the financial year, other than Directors, are as follows:

	← Number of options over ordinary shares →			
	At 1.1.2020	Granted	Exercised	At 31.12.2020
Datin Shamsinar H Shaari	375,000	-	-	375,000
Sharifah Fauziyah Syed Mohthar	375,000	-	-	375,000
Mohamed Iqbal Abdul Rahman	350,000	-	-	350,000
Norai'ni Mohamed Ali	350,000	-	-	350,000
Abdul Malik Mohamed	300,000	-	-	300,000
Zulhazri Razali	290,000	-	-	290,000

Details of options granted to Directors under the Option Plan are disclosed in the section on Directors' Interests in Shares of this report.

The other details of Share Scheme are disclosed in Note 28 to the financial statements.

Long Term Incentive Plan ("LTIP")

The principal features of the LTIP are as follows:

(a) Subject always to the eligibility criteria set out below, the Executive Director and Eligible Employees of the Group are awarded with new ordinary shares in the Company for nil consideration:

- if he has attained the age of 18 years, is not an undischarged bankrupt and is not subject to any bankruptcy proceedings;
- if he entered into a full-time or fixed term contract with, and is on the payroll of the Group, and whose service has been confirmed;
- if he is serving in a specific designation under an employment contract, whether on a permanent contract or for a fixed duration (or any other contract as may be determined by the Scheme Committee); and
- if he fulfils any other criteria and/or falls within such category as may be determined by the Scheme Committee from time to time.

(b) Shares granted are vested to the Executive Director and Eligible Employees in tranches over a period of up to 3 years, the vesting conditions of which are to be determined by the Scheme Committee.

(c) Executive Director and Eligible Employees are awarded with new ordinary shares in the Company for nil consideration.

(d) The value of the allocation per year to the Executive Director and Eligible Employees under the LTIP shall not exceed 6% of the audited profit after tax of the Group for the preceding financial year.

(e) The new ordinary shares shall rank pari passu in all respect with the existing ordinary shares of the Company.

DIRECTORS' REPORT

SHARE SCHEME (CONTINUED)

Long Term Incentive Plan ("LTIP") (continued)

As at 31 December 2020, particulars of the shares granted under the LTIP were as follows:

	← Number of ordinary shares				→
Date of grant	**At 1.1.2020**	**Granted**	**Vested**	**Lapsed**	**At 31.12.2020**
18 May 2018	240,300	-	(198,000)	(42,300)	-
17 May 2019	676,000	-	(278,000)	(105,000)	293,000

The total number of shares to be offered under the Share Scheme shall not in aggregate exceed 10% of the total issued and paid-up share capital of the Company at any point in time during the duration of the scheme. During the financial year, all shares under the LTIP were granted to Eligible Employees of the Group.

DIRECTORS

The Directors who have held office during the financial year and during the period from the end of the financial year to the date of the report are as follows:

Dato' Sri Mohammed Shazalli Ramly	(Appointed on 1 March 2021)
Datuk Zulkarnain Md Eusope	(Appointed on 1 September 2020)
Dato' Mohd Zahir Zahur Hussain	(Resigned on 30 March 2021)
Datuk Dr. Azhar Ahmad	(Appointed on 3 August 2020)
Dato' Dr. Najmil Faiz Mohamed Aris	(Appointed on 3 August 2020)
Zulkifli Jafar	(Appointed on 3 August 2020)
Dr. Abdul Razak Ahmad	(Appointed on 20 November 2020)
Izaddeen Daud	(Appointed on 1 March 2021)
Datuk (Dr.) Hafsah Hashim	(Resigned on 26 February 2021)
Dato' Farshila Emran	(Resigned on 31 March 2020)
Mohd Suffian Haji Haron	(Resigned on 28 April 2020)
Brigadier General Dato' Mohd Shahrom Mohamad (Rtd.)	(Resigned on 20 July 2020)
Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired)	(Retired on 28 December 2020)
Datuk Koo Hock Fee	(Resigned on 23 November 2020)
Dr. Salmah Bahri	(Appointed on 1 January 2020 and resigned on 20 July 2020)

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

The names of the Directors of the Company's subsidiaries since the beginning of the financial year to the date of this report, excluding those who are already listed above are as follows:

Mohamed Iqbal Abdul Rahman	
Norai'ni Mohamed Ali	
Datin Shamsinar Haji Shaari	
Sharifah Fauziyah Syed Mohthar	
Abdul Malik Mohamed	
Zulhazri Razali	
Yang Fairuz Abdul Aziz	
Mohd Saharuddin Othman	
Shahanaz Sulaiman	
Dr. Badarulhisam Abdul Rahman	
Yusni Rizal Khairul Anuar	
Muhammad Fauzi Abdul Hamid	
Suzana Yahya	
Mohd Izwan Ishak	
Mohamad Muhazni Mukhtar	(Appointed on 1 June 2020)
Paulino Taylor	(Appointed on 17 July 2020)
Muhammad Rusjdi	(Appointed on 17 July 2020)
Norhana Nawawi Suri	(Resigned on 19 May 2020)
Norman Ismail	(Resigned on 1 June 2020)
Izzat Othman	(Resigned on 16 July 2020)
Dr. Nyoman Kumara Rai	(Resigned on 16 July 2020)

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 Directors as shown in Notes 7 and 8 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.

The Directors and Officers of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance is maintained on a group basis by Pharmaniaga Berhad and the total premium paid by Pharmaniaga Berhad during the financial year amounted to RM65,378.

DIRECTORS' REPORT

NOMINATING AND REMUNERATION COMMITTEE

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

Dr. Abdul Razak Ahmad	(Appointed as Chairman on 2 February 2021)
Dato' Mohd Zahir Zahur Hussain	(Appointed on 3 August 2020)
Zulkifli Jafar	(Appointed on 3 August 2020)
Mohd Suffian Haji Haron	(Chairman until 28 April 2020)
Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired)	(Appointed as Chairman on 3 August 2020 and retired on 28 December 2020)
Brigadier General Dato' Mohd Shahrom Mohamad (Rtd.)	(Resigned on 20 July 2020)
Dr. Salmah Bahri	(Appointed on 14 February 2020 and resigned on 20 July 2020)
Datuk Koo Hock Fee	(Appointed on 3 August 2020 and resigned on 23 November 2020)

DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 31 December 2020 held or dealt in the shares and options over the shares of the Company and of its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

CURRENT ASSETS VALUATION

Before the financial statements of the Group and of the Company were prepared, 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 including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets 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.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 36 to the financial statements.

HOLDING CORPORATIONS

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.

SUBSIDIARIES

Details of subsidiaries are set out in Note 14 to the financial statements.

DIRECTORS' REPORT

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 7 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 18 March 2021. Signed on behalf of the Board of Directors:

DATO' SRI MOHAMMED SHAZALLI RAMLY
NON-INDEPENDENT NON-EXECUTIVE
CHAIRMAN

DATUK ZULKARNAIN MD EUSOPE
MANAGING DIRECTOR

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Sri Mohammed Shazalli Ramly and Datuk Zulkarnain Md Eusope, being two of the Directors of Pharmaniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 132 to 227 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and financial performance of the Group and of the Company for the financial year ended on 31 December 2020 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 18 March 2021.

DATO' SRI MOHAMMED SHAZALLI RAMLY
NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

DATUK ZULKARNAIN MD EUSOPE
MANAGING DIRECTOR

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

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 132 to 227 are, to the best of my knowledge and belief, 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
MIA Number: 44576

Subscribed and solemnly declared by the abovenamed Norai'ni Mohamed Ali at Kuala Lumpur on 18 March 2021, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

to the members of Pharmaniaga Berhad (Incorporated in Malaysia)
(Company No. 199801011581 (467709-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Pharmaniaga Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 132 to 227.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT
to the members of Pharmaniaga Berhad (Incorporated in Malaysia)
(Company No. 199801011581 (467709-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill Refer to Note 2(i) (Significant Accounting Policies), Note 3 (Critical Accounting Estimates and Judgements) and Note 15 (Intangible Assets). The Group's goodwill of RM131.1 million as at 31 December 2020 were allocated to 4 cash-generating units ("CGUs"), namely, Trading and Distribution and Manufacturing CGUs in Malaysia and Indonesia. Goodwill is subject to annual impairment testing. We focused on this area as the determination of recoverable amounts of the assets in these 4 CGUs based on value-in-use calculations by management involved a significant degree of judgement and assumptions on sales growth rate and product margins.	Our procedures performed in relation to management's impairment assessment and testing included the following: • Assessed the reliability of management's forecast through the review of past trends of actual financial performances against previous forecasted results; • Checked the key assumptions used by management, in particular, sales growth rate and product margins by comparing to business plans, historical results and market data; • Checked the discount rate used by comparing the rate used by comparable companies; • Checked that the outcome of the related sensitivity analysis based on range of possible changes determined by management is consistent with our independent expectations; and • Assessed the adequacy of the disclosures in the financial statements. Based on the above procedures performed, we noted no significant exceptions.
Impairment assessment of property, plant and equipment and intangible assets of the Group's small volume injectable plant Refer to Note 2(e), 2(g) and 2(i) (Significant Accounting Policies), Note 3 (Critical Accounting Estimates and Judgements), Note 12 (Property, Plant and Equipment) and Note 15 (Intangible Assets). The carrying values of property, plant and equipment ("PPE") and intangible assets of the Group's small volume injectable plant as at 31 December 2020 are RM125.2 million and RM10.6 million respectively. The intangible assets relate to capitalised development costs work-in-progress and subject to annual impairment testing.	We examined the impairment assessment prepared by the management and our procedures included the following: • Assessed the reliability of management's forecast through the review of past trends of actual financial performances against previous forecasted results; • Evaluated the methodology and reasonableness of the key assumptions used in determining the terminal value of land; • Checked the key assumptions used by management in the value-in-use calculations, in particular sales growth rate and product margin by comparing to business plans, historical results and market data;

INDEPENDENT AUDITORS' REPORT

to the members of Pharmaniaga Berhad (Incorporated in Malaysia)
(Company No. 199801011581 (467709-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of property, plant and equipment and intangible assets of the Group's small volume injectable plant (continued) An impairment assessment was performed by management on the small volume injectable plant due to the following reasons: • the plant has not been utilised at its maximum capacity as most of the products are still at development stage; and • the ongoing and evolving COVID-19 pandemic has cast significant uncertainties on the Malaysian economy, with resulting impact on the Group's business operations. Management assessed the impairment assessment of intangible assets together with the PPE (collectively known as "small volume injectable plant") as one CGU. The recoverable amount of the CGU is determined based on value-in-use calculations. In assessing the impairment of the small volume injectable plant, given the uncertainties surrounding the COVID-19 pandemic, management has considered the range of possible outcomes to reflect expectations about possible variations in the amount or timing of future cash flows. In deriving the recoverable amount of the CGU, these possible outcomes are weighted based on expected probabilities of occurrence. No impairment was required as the recoverable amount of the CGU was in excess of the carrying amount of the assets within the CGU. We focused on this area as the impairment assessment performed by management requires significant judgement as the timing and quantum of the cash flows is dependent on sales volume growth rate, product margins and terminal value of the land.	We examined the impairment assessment prepared by the management and our procedures included the following (continued): • Checked the discount rate used by comparing the rate used by comparable companies; • Checked the weighted average computation of the recoverable amount based on the expected probabilities of the possible outcomes; • Checked that the outcome of the related sensitivity analysis based on range of possible changes determined by management is consistent with our independent expectations; and • Assessed the adequacy of the disclosures in the financial statements. Based on the above procedures performed, we noted no significant exceptions.

INDEPENDENT AUDITORS' REPORT

to the members of Pharmaniaga Berhad (Incorporated in Malaysia)
(Company No. 199801011581 (467709-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Recognition of deferred tax assets by the Group's small volume injectable subsidiary Refer to Note 2(s) (Significant Accounting Policies), Note 3 (Critical Accounting Estimates and Judgements) and Note 29 (Deferred Taxation). As at 31 December 2020, the Group has recognised deferred tax assets of RM22.0 million relating to the small volume injectable subsidiary. The deferred tax assets arose from unutilised tax losses and unabsorbed capital allowances. We focused on this area due to the continued losses recorded by the small volume injectable subsidiary and significant management judgement involved in determining the amount of deferred tax assets to be recognised based on the probability that future taxable profits will be available.	We evaluated management's assessment of the probability of utilisation of tax losses and capital allowances against future taxable profits, which have been used as the basis to recognise the deferred tax assets. Our procedures included the following: • Checked the key assumptions used in the future taxable profit projections, in particular, sales growth rate and product margins by comparing to business plans, historical results and market data; and • Assessed the reliability of management's forecasted future taxable profits through the review of past trends of actual financial performances against previous forecasted results. Based on the above procedures performed, we noted no significant exceptions.
Recoverability of cost of investment in a small volume injectable subsidiary in the financial statements of the Company Refer to Note 2(i) (Significant Accounting Policies), Note 3 (Critical Accounting Estimates and Judgements) and Note 14 (Subsidiaries). As at 31 December 2020, the carrying value of the cost of investment in the small volume injectable subsidiary is RM200.0 million. An impairment assessment was performed by management because the subsidiary's small volume injectable plant has not been utilised at its maximum capacity as most of the products are still at development stage. The recoverable amount of the investment is determined based on discounted future cash flows adjusted for tax and repayment of intercompany balances. No impairment was required as the recoverable amount was in excess of its carrying amount.	Our procedures in relation to management's impairment assessment included the following: • Assessed the reliability of management's forecast through the review of past trends of actual financial performances against previous forecasted results; • Checked the key assumptions used by management in the value-in-use calculations on sales growth rate and product margins by comparing with business plans, historical results and market data; • Checked that the outcome of the related sensitivity analysis based on range of possible changes determined by management is consistent with our independent expectations; and • Assessed the adequacy of the disclosures in the financial statements. Based on the above procedures performed, we did not note any significant exceptions.

INDEPENDENT AUDITORS' REPORT

to the members of Pharmaniaga Berhad (Incorporated in Malaysia)
(Company No. 199801011581 (467709-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Statement on Risk Management and Internal Control and Directors' Report, which we obtained prior to the date of this auditors' report, and the Chairman's Statement, Managing Director's Review, Operations Review, Corporate Governance Overview Statement, Audit Committee Report and other sections of the 2020 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

to the members of Pharmaniaga Berhad (Incorporated in Malaysia)
(Company No. 199801011581 (467709-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
to the members of Pharmaniaga Berhad (Incorporated in Malaysia)
(Company No. 199801011581 (467709-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL & REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

HERBERT CHUA GUAN HENG
03483/01/2022 J
Chartered Accountant

Kuala Lumpur
18 March 2021

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	4	**2,725,071**	2,820,530	**39,367**	50,500
Cost of sales *	5	**(2,429,875)**	(2,726,549)	**-**	-
Gross profit		**295,196**	93,981	**39,367**	50,500
Other income	7(b)	**1,276**	1,245	**2**	-
Administrative expenses		**(227,610)**	(248,225)	**(19,426)**	(24,748)
Finance costs	6	**(33,702)**	(40,258)	**(6,087)**	(5,056)
Interest income		**633**	1,392	**2**	24
Profit/(Loss) before zakat and taxation	7(a)	**35,793**	(191,865)	**13,858**	20,720
Zakat		**(2,522)**	(2,240)	**-**	-
Taxation	9	**(7,002)**	44,658	**(1)**	-
Net profit/(loss) for the financial year		**26,269**	(149,447)	**13,857**	20,720
Attributable to:					
Owners of the parent		**27,489**	(149,219)	**13,857**	20,720
Non-controlling interests		**(1,220)**	(228)	**-**	-
Net profit/(loss) for the financial year		**26,269**	(149,447)	**13,857**	20,720
Earnings/(Loss) per share (sen):					
- Basic	10(a)	**10.51**	(57.19)		
- Diluted	10(b)	**10.50**	(56.99)		

* Included in cost of sales of the Group in the previous financial year was the amortisation of 'rights to supply' intangible assets of RM247,320,000.

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Net profit/(loss) for the financial year		**26,269**	(149,447)	**13,857**	20,720
Other comprehensive (loss)/income, net of tax:					
<u>Items that will be subsequently reclassified to profit or loss</u>					
Foreign currency translation (losses)/gains for foreign operations		**(3,248)**	2,544	**-**	-
<u>Items that will not be reclassified to profit or loss</u>					
Recognition of actuarial gains/(losses)	30	**295**	(212)	**-**	-
Other comprehensive (loss)/income, net of tax for the financial year		**(2,953)**	2,332	**-**	-
Total comprehensive income/(loss), net of tax for the financial year		**23,316**	(147,115)	**13,857**	20,720
Attributable to:					
Owners of the parent		**24,868**	(147,122)	**13,857**	20,720
Non-controlling interests		**(1,552)**	7	**-**	-
		23,316	(147,115)	**13,857**	20,720

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**365,529**	382,268	**-**	-
Right-of-use assets	13(a)	**32,942**	27,842	**-**	-
Subsidiaries	14	**-**	-	**595,172**	594,154
Intangible assets	15	**205,037**	200,342	**-**	-
Trade receivables	17	**-**	-	**-**	-
Other receivables	18	**-**	-	**-**	-
Amounts due from subsidiaries	19(a)	**-**	-	**26,228**	23,120
Deferred tax assets	29	**50,405**	48,139	**-**	-
		653,913	658,591	**621,400**	617,274
Current assets					
Inventories	16	**586,713**	617,909	**-**	-
Amount due from related companies	21	**35**	-	**-**	-
Trade receivables and contract assets	17	**237,411**	204,100	**-**	-
Other receivables	18	**50,486**	63,032	**33**	7
Amount due from immediate holding company	24	**7**	14	**-**	-
Amounts due from subsidiaries	19(a)	**-**	-	**85,434**	69,516
Tax recoverable		**10,896**	19,069	**-**	-
Deposits, cash and bank balances	20	**40,696**	29,587	**407**	487
		926,244	933,711	**85,874**	70,010
TOTAL ASSETS		**1,580,157**	1,592,302	**707,274**	687,284

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	27	**153,339**	151,879	**153,339**	151,879
Exchange reserve		**452**	3,289	**-**	-
Share reserves	28	**1,996**	7,191	**1,682**	6,173
Retained earnings		**181,741**	175,492	**282,718**	290,375
		337,528	337,851	**437,739**	448,427
Non-controlling interests		**17,437**	19,075	**-**	-
Total equity		**354,965**	356,926	**437,739**	448,427
Non-current liabilities					
Government grants	25	**3,948**	4,289	**-**	-
Borrowings	26	**337**	316	**-**	-
Lease liabilities	13(b)	**590**	2,125	**-**	-
Deferred tax liabilities	29	**16,239**	18,066	**-**	-
Provision for defined benefit plan	30	**10,259**	9,999	**-**	-
		31,373	34,795	**-**	-
Current liabilities					
Amounts due to subsidiaries	19(b)	**-**	-	**135,837**	186,087
Amounts due to related companies	21	**2,977**	2,230	**-**	-
Trade payables	22	**441,562**	548,994	**-**	-
Other payables	23	**70,549**	75,286	**3,663**	2,741
Amount due to immediate holding company	24	**74**	190	**35**	29
Contract liabilities	31(b)	**6,567**	6,387	**-**	-
Government grants	25	**341**	341	**-**	-
Borrowings	26	**669,272**	564,981	**130,000**	50,000
Lease liabilities	13(b)	**1,551**	1,457	**-**	-
Current tax liabilities		**926**	715	**-**	-
		1,193,819	1,200,581	**269,535**	238,857
Total liabilities		**1,225,192**	1,235,376	**269,535**	238,857
TOTAL EQUITY AND LIABILITIES		**1,580,157**	1,592,302	**707,274**	687,284

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Note	← Equity attributable to equity holders of the Company →						
		Share capital RM'000	Exchange reserve RM'000	Share reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2020		151,879	3,289	7,191	175,492	337,851	19,075	356,926
Net profit/(loss) for the financial year		-	-	-	27,489	27,489	(1,220)	26,269
Other comprehensive (loss)/income		-	(2,837)	-	216	(2,621)	(332)	(2,953)
Total comprehensive (loss)/income for the financial year		-	(2,837)	-	27,705	24,868	(1,552)	23,316
Transactions with owners:								
Issuance of new shares:								
- Long Term Incentive Plan	27	1,460	-	(1,460)	-	-	-	-
Share options granted under Option Plan		-	-	91	-	91	-	91
Shares granted under Long Term Incentive Plan		-	-	860	-	860	-	860
Forfeiture of shares options/shares granted under:								
- Option Plan		-	-	(4,260)	4,260	-	-	-
- Long Term Incentive Plan		-	-	(426)	426	-	-	-
Dividends:								
- owners of the Company	11	-	-	-	(26,142)	(26,142)	-	(26,142)
- non-controlling interests of a subsidiary		-	-	-	-	-	(86)	(86)
Total transactions with owners for the financial year		1,460	-	(5,195)	(21,456)	(25,191)	(86)	(25,277)
At 31 December 2020		153,339	452	1,996	181,741	337,528	17,437	354,965

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		← Equity attributable to equity holders of the Company →						
Group	Note	Share capital RM'000	Exchange reserve RM'000	Share reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2019		149,401	1,036	8,015	350,884	509,336	19,327	528,663
Net loss for the financial year		-	-	-	(149,219)	(149,219)	(228)	(149,447)
Other comprehensive income/(loss)		-	2,253	-	(156)	2,097	235	2,332
Total comprehensive income/(loss) for the financial year		-	2,253	-	(149,375)	(147,122)	7	(147,115)
Transactions with owners:								
Issuance of new shares:								
- Long Term Incentive Plan	27	2,478	-	(2,478)	-	-	-	-
Share options granted under Option Plan		-	-	466	-	466	-	466
Shares granted under Long Term Incentive Plan		-	-	2,542	-	2,542	-	2,542
Forfeiture of shares options granted under Option Plan		-	-	(1,354)	1,354	-	-	-
Dividends:								
- owners of the Company	11	-	-	-	(27,371)	(27,371)	-	(27,371)
- non-controlling interests of a subsidiary		-	-	-	-	-	(259)	(259)
Total transactions with owners for the financial year		2,478	-	(824)	(26,017)	(24,363)	(259)	(24,622)
At 31 December 2019		151,879	3,289	7,191	175,492	337,851	19,075	356,926

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Company	Note	← Non-distributable Share capital RM'000	→ Share reserves RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2020		**151,879**	**6,173**	**290,375**	**448,427**
Total comprehensive income for the financial year		**-**	**-**	**13,857**	**13,857**
Transactions with owners:					
Issuance of new shares:					
- Long Term Incentive Plan	27	**1,460**	**(442)**	**-**	**1,018**
Share options granted under Option Plan		**-**	**91**	**-**	**91**
Shares granted under Long Term Incentive Plan		**-**	**488**	**-**	**488**
Forfeiture of share options/shares granted under:					
- Option Plan		**-**	**(4,260)**	**4,260**	**-**
- Long Term Incentive Plan		**-**	**(368)**	**368**	**-**
Dividends	11	**-**	**-**	**(26,142)**	**(26,142)**
Total transactions with owners for the financial year		**1,460**	**(4,491)**	**(21,514)**	**(24,545)**
At 31 December 2020		**153,339**	**1,682**	**282,718**	**437,739**
At 1 January 2019		149,401	6,632	295,672	451,705
Total comprehensive income for the financial year		-	-	20,720	20,720
Transactions with owners:					
Issuance of new shares:					
- Long Term Incentive Plan	27	2,478	(810)	-	1,668
Share options granted under Option Plan		-	466	-	466
Shares granted under Long Term Incentive Plan		-	1,239	-	1,239
Forfeiture of share options granted under Option Plan		-	(1,354)	1,354	-
Dividends	11	-	-	(27,371)	(27,371)
Total transactions with owners for the financial year		2,478	(459)	(26,017)	(23,998)
At 31 December 2019		151,879	6,173	290,375	448,427

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**2,706,052**	2,894,967	**-**	9,502
Cash payments to suppliers and employees		**(2,688,355)**	(2,655,974)	**(12,393)**	(13,094)
Cash generated from/(used in) operations		**17,697**	238,993	**(12,393)**	(3,592)
Interest paid		**(38,574)**	(38,039)	**-**	-
Net of tax (paid)/refunded		**(2,944)**	(10,341)	**(1)**	1
Zakat paid		**(2,522)**	(2,240)	**-**	-
Interest received		**633**	1,392	**2**	24
Net cash (used in)/generated from operating activities		**(25,710)**	189,765	**(12,392)**	(3,567)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		**1**	69	**-**	-
Purchase of property, plant and equipment	12	**(9,253)**	(20,376)	**-**	-
Purchase of intangible assets	15	**(23,384)**	(52,372)	**-**	-
Gross advances to subsidiaries		**-**	-	**(10,209)**	(12,269)
Gross repayments from subsidiaries		**-**	-	**-**	12,549
Increase in investment in deposits maturing more than three (3) months		**-**	(5)	**-**	-
Net cash (used in)/generated from investing activities		**(32,636)**	(72,684)	**(10,209)**	280

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
- owners of the Company		**(26,142)**	(40,396)	**(26,142)**	(40,396)
- non-controlling interests of a subsidiary		**(86)**	(259)	**-**	-
Drawdown of borrowings		**1,541,137**	1,431,086	**240,000**	65,000
Interest paid		**-**	-	**(6,087)**	(5,056)
Repayment of borrowings		**(1,432,359)**	(1,511,883)	**(160,000)**	(215,000)
Repayment of hire purchase liabilities		**(419)**	(581)	**-**	-
Gross advances received from subsidiaries		**-**	-	**203,077**	282,974
Gross repayments to subsidiaries		**-**	-	**(228,327)**	(84,084)
Payment of lease liabilities	13(b)	**(10,642)**	(3,242)	**-**	-
Net cash generated from/(used in) financing activities		**71,489**	(125,275)	**22,521**	3,438
NET CHANGES IN CASH AND CASH EQUIVALENTS		**13,143**	(8,194)	**(80)**	151
Foreign exchange differences		**(231)**	318	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**22,950**	30,826	**487**	336
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	20	**35,862**	22,950	**407**	487

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

NOTES TO THE FINANCIAL STATEMENTS
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1 GENERAL INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 14.

There have been no significant changes in the nature of 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 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 2016 in Malaysia.

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.

During the financial year ended 31 December 2020, the Group and the Company were in a net current liabilities position of RM267,575,000 and RM183,661,000 respectively. The Directors have prepared the financial statements on a going concern basis based on the undrawn committed borrowing facilities available to the Group and the Company as disclosed in Note 26. In addition, should the need arise, the profitable subsidiaries can distribute dividends to the Company to enable the Company to meet its immediate commitments as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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 judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

New published standards, amendments to published standards and interpretations that are effective

On 1 January 2020, the Group and the Company have applied the following new published standards, amendments and IC Interpretation to published standards:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" on 'Definition of Material'
- Amendments to MFRS 9 "Financial Instruments", MFRS 139 "Financial Instruments: Recognition and Measurement" and MFRS 7 "Financial Instrument: Disclosures" on 'Interest Rate Benchmark Reform'

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New published standards, amendments to published standards and interpretations that have been issued but not yet effective

(i) Amendments to MFRS 16 'COVID-19 – Related Rent Concessions' (effective 1 June 2020) grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

The amendments shall be applied retrospectively.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

New published standards, amendments to published standards and interpretations that have been issued but not yet effective (continued)

(ii) Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

(iii) Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

(iv) Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

(v) Amendments to MFRS 137 'onerous contracts–cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

(vi) Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The amendments shall be applied retrospectively.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

New published standards, amendments to published standards and interpretations that have been issued but not yet effective (continued)

(vii) Amendments to MFRS 10 "Consolidated Finacial Statements" and MFRS 128 "Investments in Associates and Joint Ventures" - Sale and Contribution of Assets between Investor and its Associate or Joint Venture (the effective date has been deferred to a date to be dertimined by Malaysian Accounting Standards Board).

(viii) Amendments to MFRS 101 and MFRS Practice Statement 2 (effective for annual period beginning on or after 1 January 2023). The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

(ix) Amendments to MFRS 108 (effective for annual period beginning on or after 1 January 2023). The amendments to MFRS 108, redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors.

Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

The Group and the Company are assessing the impact of the above amendments to published standards on the financial statements of the Group and of the Company in the year of initial adoption.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries 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 and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, 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 combination under common control.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such remeasurement are recognised in 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 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

(ii) Changes in ownership interests in subsidiaries without change of control

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of loss of control, any retained interest in the entity is remeasured 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.

Gain or loss on the disposal of subsidiaries includes the carrying amount of goodwill relating to the subsidiaries sold.

(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.

(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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currencies (continued)

(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 profit or loss and statement of comprehensive income 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.

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 profit or loss, as part of the gain and loss on disposal. 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 profit or loss. 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 profit or loss.

(e) Property, plant and equipment

All property, plant and equipment are 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 includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see accounting policy Note 2(n) on borrowings and borrowing costs).

Subsequent costs are included in the assets' carrying amounts 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 derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are included in 'other income' in profit or loss.

Freehold land is not depreciated as it has an infinite life. 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, summarised as follows:

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

Depreciation on capital work-in-progress 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 profit or loss for the financial year in which the changes arise.

At the end of the reporting period, 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(i) on impairment of non-financial assets.

(f) Investments in subsidiaries in separate financial statements

In the Company's separate financial statements, investments in subsidiaries 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(i) on impairment of non-financial assets.

On disposal of an investment, the difference between disposal proceed and its carrying amount of the investment is recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and business combination 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.

NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (continued)

(i) Goodwill (continued)

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 that it might be impaired, and carried at cost less accumulated impairment losses. 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 of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. See accounting policy Note 2(i) on impairment of non-financial assets.

(ii) 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 10 years to 15 years.

(iii) Rights to supply

Expenses incurred in providing and supplying to the Government of Malaysia certain hardware and software, being part and parcel of the ordinary contractual obligations under the Concession Agreement, are capitalised and carried at cost less accumulated amortisation and any accumulated impairment losses. The title of the said hardware and software vests with the Government of Malaysia.

In the previous financial year, the Group had revised the remaining useful life of its rights to supply from 10 years to nil year. The change had resulted in full amortisation charge of RM247,320,000.

(iv) Manufacturing licences

Manufacturing licences acquired in a business combination is recognised at fair value at the acquisition date. The manufacturing licences represent the rights to manufacture pharmaceutical products in Malaysia and Indonesia. The licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of pharmacy manufacturing licences over a period ranging from 6 years to 9 years.

(v) Trade name

Trade name acquired in a business combination is recognised at fair value at the acquisition date. Trade name represents the in-house branded generic products and has a finite useful life and is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trade name over a period of 15 years.

(vi) Intellectual property

Intellectual property acquired in a business combination is recognised at fair value at the acquisition date. Intellectual property represents the patent rights for stevia formula and has a finite useful life and is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over a period of 15 years.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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 criteria 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 criteria 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 from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding 15 years.

Development costs work-in-progress is tested for impairment annually, in accordance with MFRS 136 "Impairment of Assets". See accounting policy Note 2(i) on impairment of non-financial assets.

(i) 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 of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (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 profit or loss. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and the estimated costs necessary to make the sale.

(k) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. 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 the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. See accounting policy Note 2(v) on impairment of financial assets.

(l) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities in the statement of financial position.

(m) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(iii) Dividends distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(iv) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Share capital (continued)

(v) Diluted earnings per share

Diluted earnings per share adjust the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(n) 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 profit or loss over the period of the borrowings using the effective interest method.

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 drawdown 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade payables are subsequently measured at amortised cost using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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 and of the Company. 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.

(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 are charged to profit or loss 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 end of the reporting period, together with adjustments for actuarial gains/losses. The Group determines the present value of the defined benefit obligation 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 period.

The defined benefit obligation, calculated using the projected credit unit 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 charged or credited to equity 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.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in the profit or loss in employee benefit expense, except where included in the cost of an asset.

(iv) Option Plan

The Company operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to share reserve within equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

(iv) Option Plan (continued)

The Company operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to share reserve within equity. The total amount to be expensed is determined by reference to the fair value of the options granted (continued):

- including the impact of any non-vesting conditions (for example, the requirement for the employees to hold shares for a specific period of time).

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest.

Total expenses are recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share reserve in equity.

In circumstances where employees provide services in advanced of the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

(v) Deferred shares – Long Term Incentive Plan

The fair value of deferred shares granted to employees for nil consideration under the Long Term Incentive Plan is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share reserve. The number of share expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustment are recognised in profit or loss and the share reserve.

When share are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture.

In its separate financial statements of the Company, the shares granted by the Company over its equity instruments to the employees of subsidiary in the Group is treated as a capital contribution to the subsidiary. The fair value of shares granted to employees of the subsidiary in exchange for the services of the employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity of the Company.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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 management's best estimate 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.

(r) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised with reference to each distinct performance obligation in the contract with customers. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Sale of goods

The Group manufactures and sells a range of pharmaceutical products. Sales are recognised in the accounting period when control of the products has been transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the designated location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Contracts

The Group enters into contract with customers to provide services such as system and equipment design, planning, installation and commissioning contracts. Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from services rendered is measured at the fixed transaction price agreed under the contracts.

Revenue relating to contracts is recognised in the accounting period in which the services are rendered. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(ii) Contracts (continued)

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. This is determined based on actual contract costs incurred. Otherwise, for example, contracts that include the installation of equipment, revenue is recognised at a point in time when the customer obtains control of the asset.

(iii) Management fees

The Company provides management services such as human resources management, accounting and finance services, secretarial services, legal services, taxation services and information technologies services to its subsidiaries. Revenue from providing services is recognised over the period in which the services are rendered.

Revenue from other sources

(i) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(ii) Dividend income

Dividend income is included in the profit or loss when the right to receive payment is established and no significant uncertainty exists as regards to its receipt. Interim dividends from subsidiaries are recognised when they are declared and final dividends when they are approved by shareholders in general meeting.

(s) Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, 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 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Current and deferred income taxes (continued)

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 provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and 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.

(t) Financial assets

Classification

The Group classifies its financial assets to be measured at amortised cost.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement of financial asset at amortised cost

At initial recognition, the Group measures a financial asset at its fair value plus transactions costs, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

Subsequent to initial recognition, the financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss or statement of comprehensive income as applicable.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in the statement of profit or loss or statement of comprehensive income as applicable.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(v) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward looking information.

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- significant increases in credit risk on other financial instruments of the same debtor; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, discounted for the time value of money and applying reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL approach can be classified into the categories below:

(i) Trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

For measurement of ECL, trade receivables arising from the Group's principal activities have been grouped based on shared credit risk characteristics, for example type of customers, the days past due and geographical. Trade receivables which are in default or credit-impaired are assessed individually.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Impairment of financial assets (continued)

The ECL approach can be classified into the categories below (continued):

(ii) Other receivables and intercompany receivables

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12 months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Amounts due from subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each balances to subsidiary.

Cash and cash equivalents are also subject to the impairment requirements of MFRS 9. The identified impairment loss was immaterial.

The Group and the Company consider a financial asset in default when contractual payments are past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off to profit or loss when there is no reasonable expectation of recovering the contractual cash flows.

(w) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and meet the definition of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group has not designated any financial liabilities at fair value through profit or loss.

Other financial liabilities are recognised initially at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the reporting date.

A financial liability is derecognised when the obligation under the liability is extinguished and the resulting gains or losses are recognised in profit or loss.

(x) Government grants

Grants from government are recognised at 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 profit or loss over the period necessary to match the related costs for which the grants are intended to compensate. When the grants relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) 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 and the Company 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.

(z) Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of system and equipment design, planning, installation and commissioning contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

Where there is an objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of system and equipment design, planning, installation and commissioning contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include down payments received from customers, RoyalePharma Voucher and other deferred income where the Group has billed or has collected before the goods are delivered or services are to be provided to the customers.

(aa) Leases

<u>The Group as a lessee</u>

Leases are recognised as right-of-use ("ROU") assets and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases (continued)

The Group as a lessee (continued)

(i) Lease term (continued)

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (iv) below).

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases (continued)

The Group as a lessee (continued))

(iii) Lease liabilities (continued)

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

(iv) Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The Group as a lessor

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases (continued)

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 if there is no reasonable certainty that the Group will obtain ownership at the end of 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.

(ab) Zakat

The Group recognised its obligations towards the payment of zakat on business in the profit or loss. 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 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.

NOTES TO THE FINANCIAL STATEMENTS
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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

Impairment assessment of property, plant and equipment and intangible assets

The Group assesses whether there is any indication that property, plant and equipment and intangible assets 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 flows derived from that asset discounted at an appropriate discount rate.

The on-going COVID-19 pandemic is having an impact on the economy in where the Group operates in. There is uncertainty on the duration of the pandemic and what is the impact on the economy. Management has considered the potential impact to the Group of the on-going COVID-19 pandemic on its business operations by considering the range of possible outcomes to reflect expectations about possible variations in the amount or timing of future cash flows.

Under this approach, management has prepared cash flows under the following two scenarios:

- 'base case' cash flow scenario which reflects management's expectation of the resulting impact of the COVID-19 pandemic; and
- 'downside' cash flow scenario which reflects the prolongation of the COVID-19 pandemic resulting in lower trading activities and delay in products registration and commercialisation.

In deriving the recoverable amount of the CGU, these possible outcomes are weighted based on expected probabilities of occurrence.

The value-in-use calculations apply a discounted cash flow model using cash flow projections covering a fifteen-year period that reflects the industry and product lifecycle from development, stability testing, product registration and commercialisation. The sales volume used in the value-in-use calculations is based on the respective product lifecycle and new products under development. The key assumptions used, results and conclusion of the impairment assessment are stated in Note 12.

Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy in Note 2(i) 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 15.

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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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. (continued)

Recognition of deferred tax assets by the Group's small volume injectable subsidiary

As at 31 December 2020, the Group has deferred tax assets amounted to RM22.0 million relating to the small volume injectable subsidiary. The deferred tax assets arose from unutilised tax losses, unabsorbed capital allowances and deductible temporary differences. Deferred tax assets was recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unutilised tax losses or unabsorbed capital allowances can be utilised.

The future taxable profit projections are determined based on the Group's future financial performance. The key assumptions such as sales volume growth rates and product margins used in determining the future taxable profit projections of the small volume injectable subsidiary are set out in Note 12.

Recoverability of cost of investment in a small volume injectable subsidiary

The Group assesses whether there is any indication that the cost of investment in a small volume injectable subsidiary is 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 flows derived from the subsidiary discounted at an appropriate discount rate.

Projected future cash flows are based on the Company's estimates calculated based on the operating results, approved business plans, sector and industry trends as well as future economic conditions, changes in technology and other available information. The key assumptions used, results and conclusion of the impairment assessment are stated in Note 14.

Impairment assessment of financial assets

The Group recognises impairment losses for trade and other receivables using the expected credit loss model based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS
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4 REVENUE

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue consists of:					
Revenue from contracts with customers:					
- Contracts	31(a)	**-**	39,992	**-**	-
- Sale of goods		**2,725,071**	2,780,538	**-**	-
- Management fees		**-**	-	**14,367**	15,500
		2,725,071	2,820,530	**14,367**	15,500
Dividend income		**-**	-	**25,000**	35,000
		2,725,071	2,820,530	**39,367**	50,500

Disaggregation of revenue from contracts with customers:

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Geographical markets				
- Malaysia	**1,902,391**	2,008,859	**14,367**	15,500
- Indonesia	**809,777**	801,117	**-**	-
- Other countries	**12,903**	10,554	**-**	-
	2,725,071	2,820,530	**14,367**	15,500
Timing of revenue recognition				
- at a point in time	**2,725,071**	2,780,538	**-**	-
- over time	**-**	39,992	**14,367**	15,500
	2,725,071	2,820,530	**14,367**	15,500

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5 COST OF SALES

Cost of sales consists of:

	Note	Group 2020 RM'000	Group 2019 RM'000
Amortisation of intangible assets	15	**201**	247,496
Depreciation of property, plant and equipment	12	**13,675**	17,318
Depreciation of right-of-use assets	13(a)	**66**	59
Employee benefit expenses	8	**54,375**	58,045
Changes in inventories of finished goods		**2,161,608**	2,178,871
Impairment of slow moving and obsolete inventories		**6,491**	5,639
Inventories (written back)/written down		**(85)**	232
Raw materials and consumables used		**113,793**	117,137
Selling and distribution costs		**53,931**	50,217
Maintenance of Pharmacy Information System		**18,279**	-
Penalty charges		**1,230**	6,702
Others		**6,311**	6,869
		2,429,875	2,688,585
Costs to fulfil contracts	31(a)	**-**	37,964
		2,429,875	2,726,549

6 FINANCE COSTS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Interest expenses on:				
- bankers' acceptances	**23,265**	29,528	**-**	-
- revolving credits	**10,303**	10,317	**6,087**	5,056
- lease liabilities	**134**	413	**-**	-
	33,702	40,258	**6,087**	5,056

NOTES TO THE FINANCIAL STATEMENTS
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7 PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION

(a) The following expenses (excluding finance costs) have been charged in arriving at profit/(loss) before zakat and taxation:

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Auditors' remuneration					
(i) statutory audit fees:					
- PricewaterhouseCoopers PLT, Malaysia		**547**	570	**164**	211
- firms other than member firms of PricewaterhouseCoopers International Limited		**195**	158	**-**	-
(ii) other non-audit fees		**1,312**	-	**1,268**	-
Bad debts written off		**245**	8	**-**	-
Depreciation of right-of-use assets	13(a)	**3,917**	3,622	**-**	-
Directors' fees:					
- Executive	8	**18**	30	**-**	-
- Non-executive		**880**	723	**808**	649
Directors' other allowances and emoluments		**225**	92	**205**	83
Employee benefit expenses		**178,013**	195,899	**12,323**	15,057
Expenses arising from leases of low-value assets		**3,294**	3,371	**48**	62
Foreign exchange losses		**1,433**	931	**-**	293
Impairment loss on trade receivables	17	**3,868**	1,632	**-**	-
Impairment of amount due from a subsidiary	19	**-**	-	**-**	818
Impairment of slow moving and obsolete inventories		**19,333**	19,131	**-**	-
Intangible assets:					
- amortisation *	15	**3,950**	251,265	**-**	-
- written off	15	**4,811**	725	**-**	-
Management fees paid/payable to immediate holding company		**299**	398	**299**	394

* Included in amortisation of intangible assets of the Group in the previous financial year was the amortisation of 'rights to supply' of RM247,320,000.

NOTES TO THE FINANCIAL STATEMENTS
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7 PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION (CONTINUED)

(a) The following expenses (excluding finance costs) have been charged in arriving at profit/(loss) before zakat and taxation (continued):

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Property, plant and equipment:					
- depreciation	12	**24,474**	28,706	**-**	-
- written off	12	**792**	369	**-**	-
Reversal of impairment loss on trade receivables	17	**(1,691)**	(8,382)	**-**	-

During the financial year, the Group incurred a total of RM23,221,000 (2019: RM23,517,000) for research and development expenses, of which RM15,477,000 (2019: RM11,847,000) has been recognised as capitalised development cost of work-in-progress under Intangible Assets as disclosed in Note 15.

(b) Other income

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Gain on disposal of property, plant and equipment		**-**	53	**-**	-
Utilisation of government grant	25	**341**	341	**-**	-
Foreign exchange gains		**405**	475	**2**	-
Others		**530**	376	**-**	-
		1,276	1,245	**2**	-

NOTES TO THE FINANCIAL STATEMENTS
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8 EMPLOYEE BENEFIT EXPENSES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Salaries and bonuses		**123,896**	130,841	**8,976**	9,790
Defined contribution plan		**14,312**	14,501	**1,169**	1,212
Defined benefit plan	30	**1,711**	1,838	**-**	-
Share-based expenses:					
- Option Plan		**91**	363	**91**	363
- Long Term Incentive Plan		**860**	2,169	**488**	878
Other short-term employee benefits		**36,476**	44,284	**933**	911
		177,346	193,996	**11,657**	13,154
Executive Directors' remuneration:					
- Salaries and bonuses		**515**	1,190	**515**	1,190
- Fees		**18**	30	**-**	-
- Defined contribution plan		**82**	188	**82**	188
- Share-based expenses:					
• Option Plan		**-**	103	**-**	103
• Long Term Incentive Plan		**-**	362	**-**	362
- Other short-term employee benefits		**70**	60	**69**	60
		685	1,933	**666**	1,903
Total		**178,031**	195,929	**12,323**	15,057
Employee benefit expenses included in:					
- cost of sales	5	**54,375**	58,045	**-**	-
- administrative expenses		**123,638**	137,854	**12,323**	15,057
Executive Directors' fees	7(a)	**18**	30	**-**	-
		178,031	195,929	**12,323**	15,057

The estimated monetary value of benefits provided to Directors of the Company during the financial year amounted to RM28,800 (2019: RM7,200).

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9 TAXATION

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current tax:					
- Malaysian income tax		**10,755**	5,635	**1**	(1)
- foreign income tax		**930**	1,271	**-**	-
- (over)/under provision in prior years		**(357)**	(1,358)	**-**	1
		11,328	5,548	**1**	-
Deferred taxation:					
- origination and reversal of temporary differences	29	**(4,326)**	(50,206)	**-**	-
Tax expense/(credit)		**7,002**	(44,658)	**1**	-

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

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Profit/(Loss) before taxation after zakat	**33,271**	(194,105)	**13,858**	20,720
Statutory income tax at rate of 24% (2019: 24%)	**7,985**	(46,585)	**3,326**	4,973
Different tax rates in other country	**(32)**	(7)	**-**	-
Tax effects of:				
Expenses not deductible for tax purpose	**7,488**	6,880	**3,029**	3,144
Expenses subject to double deduction	**(4,284)**	(4,463)	**-**	-
Income not subject to tax	**(395)**	(552)	**(6,003)**	(8,400)
Origination of deductible temporary differences not recognised in current year	**-**	1,427	**-**	282
Utilisation of previously unrecognised deductible temporary differences	**(3,403)**	-	**(351)**	-
(Over)/Under provision of tax in prior years	**(357)**	(1,358)	**-**	1
Tax expense/(credit)	**7,002**	(44,658)	**1**	-

NOTES TO THE FINANCIAL STATEMENTS
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10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share of the Group is calculated by dividing the profit/(loss) attributable to ordinary equity holders of the Company for the financial year by the average number of ordinary shares in issue during the financial year.

	Group	
	2020	**2019**
Net profit/(loss) attributable to owners of the Company (RM'000)	**27,489**	(149,219)
Weighted average number of ordinary shares in issue ('000)	**261,472**	260,910
Basic earnings/(loss) per share (sen)	**10.51**	(57.19)

(b) Diluted earnings/(loss) per share

For the diluted earnings/(loss) per share calculation, the average number of ordinary shares in issue is adjusted to assume the full conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares for the Group are Option Plan and Long Term Incentive Plan ("LTIP").

For the shares granted under the Option Plan, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding shares under the Option Plan. The number of share calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share under the Option Plan. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary share outstanding for the purpose of computing the dilution. No adjustment is made to profit for the financial year for the shares granted under the Option Plan calculation.

For the shares granted under the LTIP, the outstanding number of shares granted to eligible employees is added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to profit for the financial year for the shares granted under the LTIP calculation.

	Group	
	2020	**2019**
Net profit/(loss) attributable to owners of the Company (RM'000)	**27,489**	(149,219)
Weighted average number of ordinary shares in issue ('000)	**261,472**	260,910
Assumed shares issued under Long Term Incentive Plan ('000)	**293**	916
Weighted average number of ordinary shares in issue ('000)	**261,765**	261,826
Diluted earnings/(loss) per share (sen)	**10.50**	(56.99)

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11 DIVIDENDS

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

	Company			
	2020		2019	
	Dividend per share sen	Amount of dividend RM'000	Dividend per share sen	Amount of dividend RM'000
In respect of the financial year ended 31 December 2020:				
- First interim single tier dividend	**6.0**	**15,674**	-	-
- Second interim single tier dividend	**2.5**	**6,543**	-	-
- Third interim single tier dividend	**1.5**	**3,925**	-	-
In respect of the financial year ended 31 December 2019:				
- First interim single tier dividend	**-**	**-**	6.0	15,630
- Second interim single tier dividend	**-**	**-**	2.5	6,531
In respect of the financial year ended 31 December 2018:				
- Fourth interim single tier dividend	**-**	**-**	2.0	5,210
	10.0	**26,142**	10.5	27,371

On 17 March 2021, the Directors declared a fourth interim single tier dividend of 1.0 sen per share amounting to RM2,617,000 in respect of the financial year ended 31 December 2020 which will be paid on 22 April 2021 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2020.

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12 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 2020						
Cost	**280,197**	**137,585**	**14,455**	**310,544**	**20,416**	**763,197**
Accumulated depreciation	**(107,750)**	**(107,777)**	**(12,401)**	**(169,740)**	**-**	**(397,668)**
Net book value	**172,447**	**29,808**	**2,054**	**140,804**	**20,416**	**365,529**
At 31 December 2019						
Cost	279,779	137,156	14,541	301,669	24,384	757,529
Accumulated depreciation	(102,637)	(102,643)	(11,246)	(158,735)	-	(375,261)
Net book value	177,142	34,513	3,295	142,934	24,384	382,268
At 1 January 2019						
Cost	303,418	130,868	12,545	288,658	24,212	759,701
Accumulated depreciation	(101,435)	(94,614)	(9,788)	(147,457)	-	(353,294)
Net book value	201,983	36,254	2,757	141,201	24,212	406,407

NOTES TO THE FINANCIAL STATEMENTS
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12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	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 2020		**177,142**	**34,513**	**3,295**	**142,934**	**24,384**	**382,268**
Additions		**693**	**2,262**	**2**	**2,566**	**3,227**	**8,750**
Disposals		**-**	**(1)**	**-**	**-**	**-**	**(1)**
Written off	7(a)	**-**	**(772)**	**-**	**(1)**	**(19)**	**(792)**
Reclassification		**127**	**565**	**-**	**6,618**	**(7,310)**	**-**
Depreciation charged	7(a)	**(5,362)**	**(6,573)**	**(1,348)**	**(11,191)**	**-**	**(24,474)**
Foreign exchange adjustments		**(153)**	**(186)**	**105**	**(122)**	**134**	**(222)**
At 31 December 2020		**172,447**	**29,808**	**2,054**	**140,804**	**20,416**	**365,529**
As 1 January 2019		179,004	36,254	2,757	141,201	24,212	383,428
Additions		2,713	5,948	2,084	7,871	8,531	27,147
Disposals		-	(16)	-	-	-	(16)
Written off	7(a)	-	(129)	-	(232)	(8)	(369)
Reclassification		566	528	-	7,433	(8,527)	-
Depreciation charged	7(a)	(5,458)	(8,129)	(1,559)	(13,560)	-	(28,706)
Foreign exchange adjustments		317	57	13	221	176	784
At 31 December 2019		177,142	34,513	3,295	142,934	24,384	382,268

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
Group					
Analysis of land and buildings:					
At 31 December 2020					
Cost	**25,519**	**-**	**121,355**	**133,323**	**280,197**
Accumulated depreciation	**-**	**-**	**(41,626)**	**(66,124)**	**(107,750)**
Net book value	**25,519**	**-**	**79,729**	**67,199**	**172,447**
At 31 December 2019					
Cost	25,558	-	121,352	132,869	279,779
Accumulated depreciation	-	-	(39,353)	(63,284)	(102,637)
Net book value	25,558	-	81,999	69,585	177,142
At 1 January 2019					
Cost	25,528	26,878	121,292	129,720	303,418
Accumulated depreciation	-	(3,899)	(36,937)	(60,599)	(101,435)
Net book value	25,528	22,979	84,355	69,121	201,983

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
Group					
Analysis of land and buildings (continued):					
Movements in net book value					
At 1 January 2020	**25,558**	**-**	**81,999**	**69,585**	**177,142**
Additions	**-**	**-**	**-**	**693**	**693**
Reclassification	**-**	**-**	**-**	**127**	**127**
Depreciation charged	**-**	**-**	**(2,308)**	**(3,054)**	**(5,362)**
Foreign exchange adjustments	**(39)**	**-**	**38**	**(152)**	**(153)**
At 31 December 2020	**25,519**	**-**	**79,729**	**67,199**	**172,447**
As 1 January 2019	25,528	-	84,355	69,121	179,004
Additions	-	-	-	2,713	2,713
Reclassification	-	-	-	566	566
Depreciation charged	-	-	(2,396)	(3,062)	(5,458)
Foreign exchange adjustments	30	-	40	247	317
At 31 December 2019	25,558	-	81,999	69,585	177,142

NOTES TO THE FINANCIAL STATEMENTS
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12 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 2020				
Cost	**28,658**	**42,367**	**66,560**	**137,585**
Accumulated depreciation	**(24,067)**	**(32,174)**	**(51,536)**	**(107,777)**
Net book value	**4,591**	**10,193**	**15,024**	**29,808**
At 31 December 2019				
Cost	28,482	42,547	66,127	137,156
Accumulated depreciation	(23,840)	(30,072)	(48,731)	(102,643)
Net book value	4,642	12,475	17,396	34,513
At 1 January 2019				
Cost	28,548	39,720	62,600	130,868
Accumulated depreciation	(23,034)	(27,106)	(44,474)	(94,614)
Net book value	5,514	12,614	18,126	36,254

NOTES TO THE FINANCIAL STATEMENTS
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12 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 2020	**4,642**	**12,475**	**17,396**	**34,513**
Additions	**820**	**898**	**544**	**2,262**
Disposals	**-**	**-**	**(1)**	**(1)**
Written off	**(219)**	**(550)**	**(3)**	**(772)**
Reclassification	**195**	**117**	**253**	**565**
Depreciation charged	**(727)**	**(2,729)**	**(3,117)**	**(6,573)**
Foreign exchange adjustments	**(120)**	**(18)**	**(48)**	**(186)**
At 31 December 2020	**4,591**	**10,193**	**15,024**	**29,808**
At 1 January 2019	5,514	12,614	18,126	36,254
Additions	571	2,913	2,464	5,948
Disposals	-	(6)	(10)	(16)
Written off	(38)	(80)	(11)	(129)
Reclassification	(410)	-	938	528
Depreciation charged	(1,008)	(2,969)	(4,152)	(8,129)
Foreign exchange adjustments	13	3	41	57
At 31 December 2019	4,642	12,475	17,396	34,513

During the financial year, depreciation of RM13,675,000 (2019: RM17,318,000) is included in 'cost of sales' and RM10,799,000 (2019: RM11,388,000) in 'administrative expenses' in profit or loss.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	
	2020 RM'000	**2019 RM'000**
Plant and machinery	**895**	344
Equipment	**810**	1,048
Motor vehicles	**285**	359
	1,990	1,751

The net cash outflows for the acquisition of property, plant and equipment during the financial year are as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Acquisition of property, plant and equipment during the financial year	**8,750**	27,147
Less: Accrual of property, plant and equipment	**(8,423)**	(9,305)
Less: Acquired through hire purchase arrangements	**(379)**	(678)
Add: Payments for property, plant and equipment purchased in prior year	**9,305**	3,399
Less: Payments made in prior year for asset delivered during the financial year	**-**	(187)
Net cash outflows for the acquisition of property, plant and equipment	**9,253**	20,376

Impairment assessment for property, plant and equipment and capitalised development costs of work-in-progress and software included within intangible assets in relation to the small volume injectable production plant

An impairment assessment was undertaken in the current financial year for the Group's small volume injectable production plant as the plant has not been utilised at its maximum capacity as most of the products are still at developing stage.

The carrying amount of assets totalling RM135.8 million (2019: RM137.4 million) comprising property, plant and equipment and capitalised development costs of work-in-progress, capitalised development cost and software included in intangible assets as disclosed in Note 15 of RM125.2 million and RM10.6 million (2019: RM127.6 million and RM9.8 million) respectively within the manufacturing segment were tested for impairment.

The impairment test was performed by comparing the cash-generating unit's carrying amount with its recoverable amount. The recoverable amount is determined using value-in-use calculations.

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12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment for property, plant and equipment and capitalised development costs of work-in-progress and software included within intangible assets in relation to the small volume injectable production plant. (continued)

The on-going COVID-19 pandemic is having an impact on the economy in where the Group operates in. There is uncertainty on the duration of the pandemic and what is the impact on the economy. Management has considered the potential impact to the Group of the on-going COVID-19 pandemic on its business operations by considering the range of possible outcomes to reflect expectations about possible variations in the amount or timing of future cash flows.

Under this approach, management has prepared cash flows under the following two scenarios:

- 'base case' cash flow scenario which reflects management's expectation of the resulting impact of the COVID-19 pandemic; and

- 'downside' cash flow scenario which reflects the prolongation of the COVID-19 pandemic resulting in lower trading activities and delay in products registration and commercialisation.

In deriving the recoverable amount of the CGU, these possible outcomes are weighted based on expected probabilities of occurrence.

The key assumptions used in the 'base case' cash flow model calculations are set out below:

- Business analysis – The cash-generating unit makes assumptions about the demand for its existing products and new products under development in the market place. These assumptions are used to drive the planning assumptions for sales volume taking into consideration the projected timing for development, testing, registration and commercialisation. The cash-generating unit also makes assumptions about cost levels determined based on the average inflation rate in Malaysia. The projected sales volume growth rates and product margins range between 0.0% to >100% (2019: 2.1% to >100%) per annum and 0.0% to 98.1% (2019: 0.0% to 30.3%) respectively.
- Values of land and buildings – The estimated value of the land of RM42.3 million (2019: RM42.3 million) is based on an independent external valuation. The value for the building and other property, plant and equipment is expected to be nil as these assets would be fully depreciated and scrapped at the end of the useful life with minimal terminal value.
- Discount rate – In measuring the recoverable amount based on the value-in-use calculations, discount rate of 16.3% (2019: 10.0%) per annum has been applied. The discount rate reflects the prevailing market rate applicable to the industry adjusted for the risk of the assets.

No impairment loss was required for property, plant and equipment and capitalised development costs included within intangible assets as at 31 December 2020 as the recoverable amount of the small volume injectable production plant cash generating unit is in excess of its carrying amount.

There are no reasonably possible changes in any of the key assumptions used that would cause the carrying amount of the property, plant and equipment and capitalised development costs included within intangible assets to materially exceed the recoverable amount.

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13 LEASES

(a) Right-of-use assets

	Leasehold land RM'000	Buildings RM'000	Equipment RM'000	Total RM'000
Group				
At 31 December 2020				
Cost	**30,159**	**12,487**	**1,736**	**44,382**
Accumulated depreciation	**(6,288)**	**(4,754)**	**(398)**	**(11,440)**
Net book value	**23,871**	**7,733**	**1,338**	**32,942**
At 31 December 2019				
Cost	30,209	6,348	-	36,557
Accumulated depreciation	(5,691)	(3,024)	-	(8,715)
Net book value	24,518	3,324	-	27,842
At 1 January 2019				
Cost	30,171	5,640	-	35,811
Accumulated depreciation	(5,094)	-	-	(5,094)
Net book value	25,077	5,640	-	30,717

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

13 LEASES (CONTINUED)

(a) Right-of-use assets (continued)

	Leasehold land RM'000	Buildings RM'000	Equipment RM'000	Total RM'000
Group				
Movements in net book value				
At 1 January 2020	**24,518**	**3,324**	**-**	**27,842**
Additions	**-**	**7,332**	**1,735**	**9,067**
Depreciation charged (Note 7(a))	**(597)**	**(2,923)**	**(397)**	**(3,917)**
Foreign exchange adjustments	**(50)**	**-**	**-**	**(50)**
At 31 December 2020	**23,871**	**7,733**	**1,338**	**32,942**
At 1 January 2019	25,077	5,640	-	30,717
Additions	-	1,233	-	1,233
Depreciation charged (Note 7(a))	(598)	(3,024)	-	(3,622)
Derecognition	-	(525)	-	(525)
Foreign exchange adjustments	39	-	-	39
At 31 December 2019	24,518	3,324	-	27,842

During the financial year, depreciation of RM66,000 (2019: RM59,000) is included in 'cost of sales' and RM3,851,000 (2019: RM3,563,000) in 'administrative expenses' in profit or loss.

The Group leases the land for a period of 20 years to 99 years. Rental contracts for buildings are typically made for fixed periods ranging from 1 to 4 years, but may have extension or termination options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

NOTES TO THE FINANCIAL STATEMENTS
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13 LEASES (CONTINUED)

(b) Lease liabilities

	Group	
	2020 RM'000	**2019 RM'000**
Current	**1,551**	1,457
Non-current	**590**	2,125
	2,141	3,582

Reconciliation of lease liabilities

The following table illustrates the changes in lease liabilities, including both changes arising from cash flows and non-cash changes during the financial year:

	At 1 January 2020 RM'000	**Net cash flow RM'000**	**Interest charges RM'000**	**Acquisition/ reassessment of ROU RM'000**	**Foreign exchange movement RM'000**	**At 31 December 2020 RM'000**
Group						
Lease liabilities	**3,582**	**(10,642)**	**134**	**9,067**	**-**	**2,141**

	At 1 January 2019 RM'000	**Net cash flow RM'000**	**Interest charges RM'000**	**Acquisition/ reassessment of ROU RM'000**	**Foreign exchange movement RM'000**	**At 31 December 2019 RM'000**
Group						
Lease liabilities	5,640	(3,242)	413	708	63	3,582

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14 SUBSIDIARIES

	Company 2020 RM'000	Company 2019 RM'000
Investment in subsidiaries:		
Unquoted shares, at cost	**586,954**	586,954
Less: Accumulated impairment	**(378)**	(378)
	586,576	586,576
Capital contribution to subsidiaries	**8,596**	7,578
	595,172	594,154

Capital contribution to subsidiaries

The fair value of deferred shares granted to selected Senior Management Officers of subsidiaries of the Company in respect of the Company's share scheme is treated as capital contributions to the subsidiaries.

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

Name of Company	Principal activities	Paid-up capital	Effective equity interest (%) 2020	Effective equity interest (%) 2019
Subsidiaries 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	RM10,015,000	**100**	100
Pharmaniaga LifeScience Sdn. Bhd.	Manufacture and sale of pharmaceutical products	RM200,000,000	**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
Pharmaniaga Research Centre Sdn. Bhd.	Conduct research and development of pharmaceutical products	RM10,000,000	**100**	100
Pristine Pharma Sdn. Bhd.	Trading and wholesaling of consumer products	RM20,000,050	**100**	100

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14 SUBSIDIARIES (CONTINUED)

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

Name of Company	Principal activities	Paid-up capital	Effective equity interest (%) 2020	2019
Subsidiaries of the Company				
Bio-Collagen Technologies Sdn. Bhd.	Research and manufacture of collagen medical devices (dressings) for wound management application	RM2,000,000	**70**	70
Pharmaniaga Biomedical Sdn. Bhd. **	Supply, trading and installation of medical and hospital equipment	RM8,000,000	**100**	100
Pharmaniaga International Corporation Sdn. Bhd.	Investment holding	RM103,000,000	**100**	100
Pharmaniaga Pegasus (Seychelles) Co. Ltd. @	Dormant	USD100,000	**100**	100
Subsidiary of Pristine Pharma Sdn. Bhd.				
Paradigm Industry Sdn. Bhd.	Manufacture and sale of food supplements	RM100,000	**80**	80
Subsidiaries of Pharmaniaga International Corporation Sdn. Bhd.				
PT Millennium Pharmacon International Tbk *# ("PT MPI")	Distribution and trading of pharmaceutical products, food supplements and diagnostic products in Indonesia	IDR127,400,000,000	**73**	73
PT Mega Pharmaniaga # ("PT MegPha")	Dormant	IDR11,372,400,000	**95**	95
PT Errita Pharma *# ("PT Errita")	Manufacture and sale of pharmaceutical products in Indonesia	IDR95,832,000,000	**96**	96

* Audited by firms other than member firms of PricewaterhouseCoopers International Limited and PricewaterhouseCoopers PLT, Malaysia
@ Incorporated in Republic of Seychelles
# Incorporated in Indonesia
** During the financial year, Pharmaniaga Logistics Sdn. Bhd., a 100% owned subsidiary of the Company, has transferred 100% shares of Pharmaniaga Biomedical Sdn. Bhd. to the Company

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14 SUBSIDIARIES (CONTINUED)

Impairment assessment for cost of investment in Pharmaniaga LifeScience Sdn. Bhd. ("PLS")

As described in Note 12, the Company has undertaken an impairment assessment in the current financial year for its investment in PLS of RM200.0 million that operates small volume injectable production plant using the same discounted future cash flows, adjusted for tax and repayment of intercompany balances. In measuring the recoverable amount determined based on value-in-use calculations, discount rate of 17.9% (2019: 13.3%) per annum, representing the cost of equity has been applied. Refer to Note 12 for the other key assumptions used in the projections.

No impairment loss was required for the investment in the subsidiary as at 31 December 2020 as the recoverable amount is in excess of its carrying amount.

There are no reasonably possible changes in any of the key assumptions used that would cause the carrying amount of the cost of investment to materially exceed the recoverable amount.

Summarised financial information of a subsidiary with material non-controlling interests

Set out below are the summarised financial information for the Group's subsidiary, PT Millennium Pharmacon International Tbk ("PT MPI") that has non-controlling interests that is material to the Group. The amounts disclosed below are before intercompany eliminations.

Summarised statement of financial position

	PT MPI	
	2020	**2019**
	RM'000	**RM'000**
Current		
Assets	**303,524**	333,853
Liabilities	**(253,478)**	(274,443)
Total current net assets	**50,046**	59,410
Non-current		
Assets	**30,931**	24,591
Liabilities	**(8,678)**	(8,574)
Total non-current net assets	**22,253**	16,017
Net assets	**72,299**	75,427
Net assets attributable to non-controlling interests at the end of the financial year	**19,232**	20,064
Proportion of effective equity interests held by non-controlling interests (%)	**27**	27

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14 SUBSIDIARIES (CONTINUED)

Summarised financial information of a subsidiary with material non-controlling interests (continued)

Summarised statement of profit or loss and statement of comprehensive income

	PT MPI	
	2020 RM'000	**2019 RM'000**
Revenue	**767,938**	795,064
(Loss)/Profit before taxation	**(846)**	4,658
Taxation	**(1,013)**	(1,559)
Net (loss)/profit for the financial year	**(1,859)**	3,099
Other comprehensive (loss)/income	**(945)**	622
Total comprehensive (loss)/income, net of tax for the financial year	**(2,804)**	3,721
Net (loss)/profit for the financial year allocated to non-controlling interests	**(494)**	824
Total comprehensive (loss)/income allocated to non-controlling interests	**(746)**	990
Dividend paid to non-controlling interests	**86**	259

Summarised statement of cash flows

	2020 RM'000	2019 RM'000
Cash generated from/(used in) operations	**20,419**	(2,661)
Interest paid	**(13,042)**	(15,860)
Net tax paid	**(4,234)**	(3,116)
Net cash generated from/(used in) operating activities	**3,143**	(21,637)
Net cash used in investing activities	**(888)**	(2,923)
Net cash generated from financing activities	**7,847**	20,948
Net changes in cash and cash equivalents	**10,102**	(3,612)
Cash and cash equivalents at beginning of financial year	**7,501**	10,854
Foreign exchange differences	**161**	259
Cash and cash equivalents at end of financial year	**17,764**	7,501

15 INTANGIBLE ASSETS

Group	Note	Goodwill RM'000	Software RM'000	Rights to supply RM'000	Capitalised development cost of work-in-progress RM'000	Capitalised development cost RM'000	Manufacturing licences RM'000	Trade name RM'000	Intellectual property RM'000	Total RM'000
Cost										
At 1 January 2020		145,436	23,682	342,865	35,967	2,637	17,117	3,924	3,071	574,699
Reclassification		-	-	-	(1,354)	1,354	-	-	-	-
Additions		-	-	-	15,477	-	-	-	-	15,477
Written off	7(a)	-	-	-	(4,811)	-	-	-	-	(4,811)
Foreign exchange adjustments		(1,678)	(4,340)	-	(86)	-	(500)	(120)	-	(6,724)
At 31 December 2020		143,758	19,342	342,865	45,193	3,991	16,617	3,804	3,071	578,641
Less: Accumulated amortisation										
At 1 January 2020		-	6,516	342,865	-	352	10,015	1,358	598	361,704
Amortisation charged	7(a)	-	1,378	-	-	201	1,908	257	206	3,950
Foreign exchange adjustments		-	(4,343)	-	-	-	(315)	(45)	-	(4,703)
At 31 December 2020		-	3,551	342,865	-	553	11,608	1,570	804	360,951
Less: Accumulated impairment										
At 1 January 2020/ 31 December 2020		12,653	-	-	-	-	-	-	-	12,653
Net book value										
At 31 December 2020		131,105	15,791	-	45,193	3,438	5,009	2,234	2,267	205,037

15 INTANGIBLE ASSETS (CONTINUED)

Group	Note	Goodwill RM'000	Software RM'000	Rights to supply RM'000	Capitalised development cost of work-in-progress RM'000	Capitalised development cost RM'000	Manufacturing licences RM'000	Trade name RM'000	Intellectual property RM'000	Total RM'000
Cost										
At 1 January 2019		144,131	23,579	304,825	24,798	2,637	16,728	3,832	3,071	523,601
Additions		-	-	38,040	11,847	-	-	-	-	49,887
Written off	7(a)	-	-	-	(725)	-	-	-	-	(725)
Foreign exchange adjustments		1,305	103	-	47	-	389	92	-	1,936
At 31 December 2019		145,436	23,682	342,865	35,967	2,637	17,117	3,924	3,071	574,699
Less: Accumulated amortisation										
At 1 January 2019		-	5,057	95,545	-	176	7,822	1,064	392	110,056
Amortisation charged	7(a)	-	1,356	247,320	-	176	1,948	259	206	251,265
Foreign exchange adjustments		-	103	-	-	-	245	35	-	383
At 31 December 2019		-	6,516	342,865	-	352	10,015	1,358	598	361,704
Less: Accumulated impairment										
At 1 January 2019/ 31 December 2019		12,653	-	-	-	-	-	-	-	12,653
Net book value										
At 31 December 2019		132,783	17,166	-	35,967	2,285	7,102	2,566	2,473	200,342

During the financial year, amortisation of RM201,000 (2019: RM247,496,000) is included in 'cost of sales' and RM3,749,000 (2019: RM3,769,000) in 'administrative expenses' in profit or loss.

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15 INTANGIBLE ASSETS (CONTINUED)

The net cash outflows for the acquisition of intangible assets during the financial year are as follows:

	Group	
	2020 **RM'000**	**2019** **RM'000**
Additions during the financial year	**15,477**	49,887
Less: Accrual of intangible assets	**-**	(7,907)
Add: Payment for intangible assets acquired in prior year	**7,907**	10,392
Net cash outflows on the acquisition of intangible assets	**23,384**	52,372

Impairment assessment for goodwill

The carrying amounts of goodwill allocated to the Group's cash-generating units ("CGUs") are as follows:

	Group	
	2020 **RM'000**	**2019** **RM'000**
Malaysia		
Trading and distribution	**16,839**	16,839
Manufacturing	**60,953**	60,953
Indonesia		
Trading and distribution	**2,327**	2,400
Manufacturing	**50,986**	52,591
Total	**131,105**	132,783

No impairment loss was required for the carrying amounts of goodwill assessed as at 31 December 2020 as the recoverable amounts of the CGUs are in excess of their carrying amounts.

The recoverable amounts of the CGUs are determined based on value-in-use ("VIU") calculations. Cash flows are derived from financial budgets approved by the Directors covering a fifteen-year period that reflects the product lifecycle. The projections reflect management's expectation of sales volume growth and product margins for the CGUs based on current assessment of market share and expectations of market growth and the continuity of the concession agreement with the government.

15 INTANGIBLE ASSETS (CONTINUED)

The key assumptions used in VIU calculations for the multiple scenarios are as follows:

	Malaysia		Indonesia	
	Trading and distribution	Manufacturing	Trading and distribution	Manufacturing
	%	%	%	%
2020				
Sales growth rate (per annum)	**0.0 to >100**	**0.0 to >100**	**11.1 to 20.1**	**12.0 to 30.3**
Product margins	**7.8 to 81.4**	**0.0 to 98.1**	**7.5 to 7.8**	**10.1 to 42.6**
Discount rate (per annum)	**15.7**	**16.3**	**12.0**	**18.0**
2019				
Sales growth rate (per annum)	0.0 to 4.6	0.0 to >100	6.0 to 19.7	10.0 to 60.2
Product margins	5.8 to 8.3	7.3 to 57.5	7.3 to 7.7	10.1 to 24.1
Discount rate (per annum)	9.6	10.0	13.4	16.4

(i) Sales growth rate is the growth rate by product or by revenue stream over the forecast period based on past performance and management's expectation of market development.

(ii) Product margins are projected based on the industry trends, together with the trends observed by the Group.

(iii) Terminal growth rate of 0.0% (2019: 0.0%) that reflects long term growth forecast is applied in the VIU calculations.

(iv) Discount rates used are pre-tax and reflect specific risks relating to the CGUs.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, the Directors concluded that no reasonable possible change in the base case assumptions would cause the carrying amounts of the CGUs to exceed their recoverable amounts.

Impairment assessment for capitalised development costs of work-in-progress

(a) Capitalised development costs of work-in-progress in relation to the small volume injectable production plant within the manufacturing segment.

As at 31 December 2020, the capitalised development costs of work-in-progress in relation to the small volume injectable production plant of RM6.5 million (2019: RM6.9 million) had been assessed together with the related property, plant and equipment as disclosed in Note 12 and other intangible assets. The capitalised development costs of work-in-progress is subject to annual impairment testing.

(b) Capitalised development costs of work-in-progress in relation to other cash-generating units within the manufacturing segment.

As at 31 December 2020, the capitalised development costs of work-in-progress of RM33.8 million (2019: RM29.0 million) together with related property, plant and equipment of RM151.2 million (2019: RM166.9 million), goodwill of RM111.9 million (2019: RM113.5 million) and other intangible assets of RM8.1 million (2019: RM8.8 million) in relation to other cash-generating units were tested for impairment. The impairment test was performed by comparing the cash-generating unit's carrying amount with its recoverable amount. The recoverable amount is determined using value-in-use calculations.

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15 INTANGIBLE ASSETS (CONTINUED)

Impairment assessment for capitalised development costs of work-in-progress (continued)

The value-in-use calculations apply a discounted cash flow model using cash flow projections covering a period of ten to twenty years that reflects the industry, product lifecycle from development, stability testing, product registration and commercialisation. The sales volume used in the value-in-use calculations is based on the respective product lifecycle and new products under development. The business plan reflects the cash-generating unit's expectation of plant capacity and utilisation, revenue growth, operating costs and margins based on past experience, current assessment of market share, expectations of market growth and industry growth.

The key assumptions used in the value-in-use calculations are set out below:

- Business analysis – The cash-generating unit makes assumptions about the demand for these new products under development in the market place and the continuity of the concession agreement with the government. These assumptions are used to drive the planning assumptions for sales volume taking into consideration the projected timing for development, testing, registration and commercialisation using a projected sales growth rate of 0.0% to >100% (2019: 0.0% to 68.3%) per annum.
- Discount rate – In measuring the recoverable amount based on the value-in-use calculations, discount rate of 16.3% (2019: 10.0%) per annum has been applied. The discount rate reflects the prevailing market rate applicable to the industry adjusted for the risk of the assets.

No impairment was required as at 31 December 2020 as their recoverable amounts are in excess of their carrying amounts.

16 INVENTORIES

	Group	
	2020	**2019**
	RM'000	**RM'000**
Raw materials	**45,144**	46,063
Packaging materials	**24,843**	23,066
Work-in-progress	**10,408**	5,511
Finished goods	**506,318**	543,269
	586,713	617,909

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17 TRADE RECEIVABLES AND CONTRACT ASSETS

	Group 2020 RM'000	Group 2019 RM'000
Current		
Trade receivables	**250,851**	215,500
Less: Accumulated impairment	**(13,440)**	(11,400)
	237,411	204,100
Contract assets (Note 31(a))	**-**	-
	237,411	204,100
Non-current		
Trade receivables	**2,435**	2,435
Less: Accumulated impairment	**(2,435)**	(2,435)
	-	-

The credit terms of trade receivables range from 30 days to 120 days (2019: 30 days to 120 days).

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

	Group Lifetime ECL (Collective assessment) RM'000	Group Lifetime ECL (Individual assessment) RM'000	Total RM'000
2020			
At 1 January 2020	**5,934**	**7,901**	**13,835**
Impairment during the financial year (Note 7(a))	**1,358**	**2,510**	**3,868**
Reversal of impairment previously provided (Note 7(a))	**(117)**	**(1,574)**	**(1,691)**
Written off	**(26)**	**-**	**(26)**
Foreign exchange differences	**(111)**	**-**	**(111)**
At 31 December 2020	**7,038**	**8,837**	**15,875**
2019			
At 1 January 2019	5,137	16,283	21,420
Impairment during the financial year (Note 7(a))	1,632	-	1,632
Reversal of impairment previously provided (Note 7(a))	-	(8,382)	(8,382)
Written off	(1,056)	-	(1,056)
Foreign exchange differences	221	-	221
At 31 December 2019	5,934	7,901	13,835

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17 TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

The creation and release of impaired receivables have been included in 'administrative expenses' in the profit or loss. Amounts charged are generally written off, when there is no expectation of recovering additional cash.

Information about the impairment of trade receivables and contract assets and the exposure to credit risk is disclosed in Note 35.

18 OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Current				
Other receivables	**4,116**	3,322	**17**	-
Prepayments	**16,431**	19,142	**16**	7
Deposits	**28**	5,020	**-**	-
GST/VAT recoverable	**29,911**	35,548	**-**	-
	50,486	63,032	**33**	7
Non-current				
Other receivables	**3,188**	3,188	**-**	-
Less: Accumulated impairment	**(3,188)**	(3,188)	**-**	-
	-	-	**-**	-

Movement of the impairment of other receivables during the financial year is as follows:

	Group	
	2020 RM'000	**2019 RM'000**
At 1 January/31 December	**3,188**	3,188

Information about the impairment of other receivables and the exposure to credit risk is disclosed in Note 35.

19 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company	
	2020	**2019**
	RM'000	**RM'000**
Current		
Amounts due from subsidiaries	**109,569**	93,651
Less: Accumulated impairment	**(24,135)**	(24,135)
Amounts due from subsidiaries - net	**85,434**	69,516
Non-current		
Amounts due from subsidiaries	**63,648**	60,540
Less: Accumulated impairment	**(37,420)**	(37,420)
Amounts due from subsidiaries - net	**26,228**	23,120

The amounts due from subsidiaries are unsecured, interest free and are repayable on demand.

Movements of the impairment of amounts due from subsidiaries during the financial year are as follows:

	Company	
	2020	**2019**
	RM'000	**RM'000**
At 1 January	**61,555**	60,737
Impairment during the financial year (Note 7(a))	**-**	818
At 31 December	**61,555**	61,555

(b) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest free and are repayable on demand.

Dividend income from subsidiaries totalling RM25.0 million (2019: RM35.0 million) during the financial year was set off against amounts due to subsidiaries.

20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	**22,562**	17,454	**407**	487
Deposits with licensed banks	**18,134**	12,133	**-**	-
Total deposits, cash and bank balances	**40,696**	29,587	**407**	487
Less: Deposits maturing more than three (3) months	**(4,834)**	(4,834)	**-**	-
Less: Bank overdraft (Note 26)	**-**	(1,803)	**-**	-
Total cash and cash equivalents at end of financial year	**35,862**	22,950	**407**	487

Cash and bank balances are deposits held at call with banks and earn no interest except for bank balances amounting to RM2.8 million (2019: RM1.3 million) that earn interest at 1.6% (2019: 2.6%) per annum.

The effective interest rates on deposits with licensed banks for the Group range from 1.5% to 1.6% (2019: 1.5% to 3.0%) per annum with original maturity dates range from 3 days to 365 days (2019: 3 days to 365 days).

21 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The amounts due from/(to) related companies are unsecured, interest free and are repayable on demand.

22 TRADE PAYABLES

The credit terms of trade payables granted to the Group range from 30 days to 120 days (2019: 30 days to 120 days).

23 OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables	**52,922**	51,793	**2,686**	2,336
Accruals	**17,627**	23,493	**977**	405
	70,549	75,286	**3,663**	2,741

24 AMOUNT DUE FROM/(TO) IMMEDIATE HOLDING COMPANY

The amount due from immediate holding company is unsecured, interest free and repayable on demand.

The amount due to immediate holding company arose from management fees and payments made on behalf. This amount is unsecured, interest free and repayable on demand.

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25 GOVERNMENT GRANTS

	Group	
	2020	**2019**
	RM'000	**RM'000**
At 1 January	**4,630**	4,971
Recognition during the financial year (Note 7(b))	**(341)**	(341)
At 31 December	**4,289**	4,630
Analysed as:		
- Current	**341**	341
- Non-current	**3,948**	4,289
	4,289	4,630

Government grants relate to monies received from certain government agencies to fund the purchase of certain intangible assets and property, plant and equipment of the Group.

26 BORROWINGS

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Unsecured:				
- Bankers' acceptances	**438,837**	412,813	**-**	-
- Revolving credits	**230,000**	150,000	**130,000**	50,000
- Bank overdraft (Note 20)	**-**	1,803	**-**	-
	668,837	564,616	**130,000**	50,000
Secured:				
- Hire purchase	**435**	365	**-**	-
	669,272	564,981	**130,000**	50,000
Non-current				
Secured:				
- Hire purchase	**337**	316	**-**	-
Total	**669,609**	565,297	**130,000**	50,000
Bankers' acceptances	**438,837**	412,813	**-**	-
Revolving credits	**230,000**	150,000	**130,000**	50,000
Bank overdraft	**-**	1,803	**-**	-
Hire purchase	**772**	681	**-**	-
Total	**669,609**	565,297	**130,000**	50,000

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26 BORROWINGS (CONTINUED)

Hire purchase liabilities

	Group 2020 RM'000	Group 2019 RM'000
Minimum lease payments:		
- Payable within 1 year	**505**	401
- Payable between 1 and 5 years	**377**	392
	882	793
Less: Future finance charges	**(110)**	(112)
Present value of liabilities	**772**	681

Borrowings' maturity and interest rate analysis

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

Group	Effective interest rate at year end % per annum	Repayment terms <1 year RM'000	Repayment terms >1 year RM'000	Total carrying amount RM'000
At 31 December 2020				
Bankers' acceptances	**4.19**	**438,837**	**-**	**438,837**
Revolving credits	**3.55**	**230,000**	**-**	**230,000**
Hire purchase	**4.25**	**435**	**337**	**772**
		669,272	**337**	**669,609**
At 31 December 2019				
Bankers' acceptances	6.23	412,813	-	412,813
Revolving credits	4.66	150,000	-	150,000
Bank overdraft	10.30	1,803	-	1,803
Hire purchase	3.98	365	316	681
		564,981	316	565,297
Company				
At 31 December 2020				
Revolving credits	**3.55**	**130,000**	**-**	**130,000**
At 31 December 2019				
Revolving credits	4.75	50,000	-	50,000

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26 BORROWINGS (CONTINUED)

Reconciliation of liabilities arising from financing activities

The following table illustrates the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes during the financial year:

Group	At 1 January 2020 RM'000	Net cash flows RM'000	Acquisition of PPE RM'000	Foreign exchange movements RM'000	At 31 December 2020 RM'000
Borrowings	**564,616**	**108,778**	**-**	**(4,557)**	**668,837**
Hire purchase liabilities	**681**	**(419)**	**379**	**131**	**772**
Total liabilities from financing activities	**565,297**	**108,359**	**379**	**(4,426)**	**669,609**

Group	At 1 January 2019 RM'000	Net cash flows RM'000	Acquisition of PPE RM'000	Foreign exchange movements RM'000	At 31 December 2019 RM'000
Borrowings	642,263	(80,797)	-	3,150	564,616
Hire purchase liabilities	584	(581)	678	-	681
Total liabilities from financing activities	642,847	(81,378)	678	3,150	565,297

Company	At 1 January 2020 RM'000	Net cash flows RM'000	Non-cash transactions RM'000	At 31 December 2020 RM'000
Borrowings	**50,000**	**80,000**	**-**	**130,000**
Amounts due to subsidiaries	**186,087**	**(25,250)**	**(25,000)**	**135,837**
Total liabilities from financing activities	**236,087**	**54,750**	**(25,000)**	**265,837**

Company	At 1 January 2019 RM'000	Net cash flows RM'000	Non-cash transactions RM'000	At 31 December 2019 RM'000
Borrowings	200,000	(150,000)	-	50,000
Amounts due to subsidiaries	22,197	198,890	(35,000)	186,087
Total liabilities from financing activities	222,197	48,890	(35,000)	236,087

NOTES TO THE FINANCIAL STATEMENTS
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26 BORROWINGS (CONTINUED)

Fair value

The fair values of current and non-current borrowings approximate their carrying amounts, as the impact of discounting is not significant.

Currency profile

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

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Ringgit Malaysia	**545,840**	404,540	**130,000**	50,000
Indonesian Rupiah	**123,769**	160,757	**-**	-
	669,609	565,297	**130,000**	50,000

Undrawn borrowings facilities

The Group and the Company have the following undrawn borrowings facilities:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Bankers' acceptances	**294,263**	363,187	**-**	-
Revolving credits	**120,000**	325,000	**70,000**	150,000
Bank overdraft	**2,860**	1,167	**-**	-
	417,123	689,354	**70,000**	150,000

27 SHARE CAPITAL

	Company			
	Number of shares		Amount	
	2020 '000	**2019 '000**	**2020 RM'000**	**2019 RM'000**
Issued and fully paid ordinary shares with no par value:				
At 1 January	**261,230**	260,505	**151,879**	149,401
Issuance during the financial year arising from:				
- Long Term Incentive Plan	**476**	725	**1,460**	2,478
At 31 December	**261,706**	261,230	**153,339**	151,879

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28 SHARE RESERVES

(a) Option Plan

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Option Plan	**1,461**	5,631	**1,461**	5,631
Long Term Incentive Plan	**535**	1,560	**221**	542
	1,996	7,191	**1,682**	6,173

An Option Plan was implemented on 13 May 2016 for the benefit of Directors and selected Senior Management Officers ("Eligible Employees") of the Group. The Option Plan shall be in force for a period of 5 years. The fair value of each share option on the grant date was RM0.71. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the Option Plan is RM5.04 each. The options granted are divided into 5 equal tranches which vest on 16 May 2016, 16 May 2017, 16 May 2018, 16 May 2019 and 16 May 2020. The vesting condition is that the offeree must be an employee or Director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options shall expire on 14 May 2021.

Movements of share options during the financial year

The following table illustrates the number of, and movements in, share options of the Company during the financial year:

	Number of share options	
	2020 '000	**2019 '000**
At 1 January	**8,040**	10,040
Forfeiture	**(6,000)**	(2,000)
At 31 December	**2,040**	8,040
Exercisable at 31 December	**15,640**	12,547

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28 SHARE RESERVES (CONTINUED)

(a) Option Plan (continued)

The fair value of the Option granted in previous financial years was accounted for in accordance with MFRS 2 Share-based Payments, were determined using the Binomial valuation model. The significant inputs in the model are as follows:

Fair value per option	RM0.71
Exercise price	RM5.04
Option life	5 years
Weighted average share price at grant date	RM5.60
Expected dividend yield	5.38%
Risk free rate	3.49%
Expected volatility	15.00%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of share prices over the last 5 years.

The amounts recognised in the financial statements as disclosed in Notes 8 and 34(e) arose from the Option Plan granted to Directors and Eligible Employees.

(b) Long Term Incentive Plan

A Long Term Incentive Plan ("LTIP") was implemented on 13 May 2016 for the benefit of the Executive Director and Eligible Employees of the Group. The value of the allocation per year to the Executive Director and Eligible Employees under the LTIP shall not exceed 6% of the audited profit after tax of the Group for the preceding financial year.

Under the LTIP, the Executive Director and Eligible Employees are awarded with new ordinary shares in the Company for nil consideration and the shares granted are vested to the Executive Director and Eligible Employees in tranches over a period of up to 3 years. There are no cash settlement alternatives.

As at 31 December 2020, particulars of the shares granted under the LTIP were as follows:

	← At grant date →		← Number of ordinary shares →				
Date of grant	**Fair value**	**Market price**	**At 1.1.2020**	**Granted**	**Vested**	**Lapsed**	**At 31.12.2020**
18 May 2018	RM3.88	RM3.88	240,300	-	(198,000)	(42,300)	-
17 May 2019	RM2.42	RM2.49	676,000	-	(278,000)	(105,000)	293,000

In accordance to MFRS 2 "Share-based Payment", the disclosure on the fair value of share grant is not required during the financial year as there is no new shares granted.

28 SHARE RESERVES (CONTINUED)

(b) Long Term Incentive Plan (continued)

In the previous financial year, the fair value of the shares granted was determined using the Monte Carlo Simulation model, taking into account the terms and conditions under which the shares were granted. The significant inputs in the model were as follows:

Closing market price at grant date	RM2.49, RM3.88 and RM4.76
Expected volatility	24.0% to 27.7%
Expected dividend yield	5.5% to 6.9%
Risk free rate	2.7%

The expected volatility is based on 1 month, 1 year and 2 years average daily volatility.

29 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:

	Note	Group 2020 RM'000	Group 2019 RM'000
Deferred tax assets:			
- Deferred tax assets to be recovered after more than 12 months		**38,284**	33,737
- Deferred tax assets to be recovered within 12 months		**12,121**	14,402
		50,405	48,139
Deferred tax liabilities:			
- Deferred tax liabilities to be recovered after more than 12 months		**(14,815)**	(12,348)
- Deferred tax liabilities to be recovered within 12 months		**(1,424)**	(5,718)
		(16,239)	(18,066)
Deferred tax assets (net)		**34,166**	30,073
At 1 January		**30,073**	(19,395)
Credited/(Charged) to profit or loss:			
- property, plant and equipment		**8,567**	(2,243)
- provisions		**(1,907)**	2,160
- unutilised tax losses		**(2,227)**	2,261
- intangible assets		**(107)**	48,028
	9	**4,326**	50,206
Foreign exchange adjustments		**(233)**	(738)
At 31 December		**34,166**	30,073

NOTES TO THE FINANCIAL STATEMENTS
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29 DEFERRED TAXATION (CONTINUED)

	Group	
	2020	**2019**
	RM'000	**RM'000**
Subject to income tax		
Deferred tax assets (before offsetting):		
- property, plant and equipment	**7,658**	2,239
- provisions	**13,599**	15,740
- unutilised tax losses	**30,459**	32,686
	51,716	50,665
Offsetting	**(1,311)**	(2,526)
Deferred tax assets (after offsetting)	**50,405**	48,139
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	**(15,245)**	(18,393)
- intangible assets	**(2,305)**	(2,199)
	(17,550)	(20,592)
Offsetting	**1,311**	2,526
Deferred tax liabilities (after offsetting)	**(16,239)**	(18,066)

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. The deductible temporary differences are available indefinitely for offset against future taxable profits of the Group and of the Company, subject to agreement with the Inland Revenue Board. These tax benefits will only be obtained if the Group and the Company derive future assessable income of a nature and amount sufficient for the tax benefits to be utilised. Estimating the future taxable profits involve significant assumptions, especially in respect of sales growth rate, product margins and new outlets. These assumptions used are consistent with those prepared and used for impairment testing purposes. All available convincing evidences were considered, including approved budgets, business plan and analysis of historical operating results. Based on the available convincing evidences, management believes that the temporary differences, which include unutilised tax losses with time limit of utilisation, will be utilised and has recognised the deferred tax assets as at the end of the reporting date.

29 DEFERRED TAXATION (CONTINUED)

The amount of deductible temporary differences for which no deferred tax asset is recognised in the financial statements of the Group and of the Company are as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Unutilised tax losses	**67,750**	67,710	**46,150**	47,566
Unabsorbed capital allowances	**133**	14,354	**-**	47
	67,883	82,064	**46,150**	47,613
Deferred tax assets not recognised at 24% (2019: 24%)	**16,292**	19,695	**11,076**	11,427

Under the Malaysian Finance Act 2018 which was gazetted on 27 December 2018, unutilised tax losses are imposed with a time limit of utilisation. The amount of unutilised tax losses based on time limit is as follows (stated at gross):

	Expired by year			
Unutilised tax losses	**2025 RM'000**	**2026 RM'000**	**2027 RM'000**	**Total RM'000**
Group				
Deferred tax assets are recognised	78,249	22,280	26,383	126,912
No deferred tax assets are recognised	64,691	1,496	1,563	67,750
Company				
No deferred tax assets are recognised	46,150	-	-	46,150

The deductible temporary differences in relation to unabsorbed capital allowances do not have any expiry date.

30 PROVISION FOR DEFINED BENEFIT PLAN

The subsidiaries in Indonesia operate an unfunded defined benefit scheme for its employees based on the provisions of Labour Law No. 13/2003. The latest actuarial valuations of the plans for 31 December 2020 were signed on 31 December 2020 and 4 January 2021.

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30 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

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

	Group	
	2020 RM'000	2019 RM'000
Present value of unfunded defined benefit obligations	**10,259**	9,999
Actuarial gains/(losses) recognised in the statements of comprehensive income	**295**	(212)
Cumulative actuarial gains/(losses) recognised	**115**	(180)

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

	Group	
	2020 RM'000	2019 RM'000
At 1 January	**9,999**	8,306
Charged to profit or loss (Note 8)	**1,711**	1,838
Contributions paid during the financial year	**(707)**	(567)
Recognition of actuarial (gains)/losses	**(295)**	212
Foreign exchange adjustments	**(449)**	210
At 31 December	**10,259**	9,999
The amounts recognised in the profit or loss are as follows:		
Current service cost	**969**	1,092
Interest cost	**742**	746
Total, included in employee benefit expenses (Note 8)	**1,711**	1,838

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

	Group	
	2020 %	2019 %
Discount rate	**7.6**	8.3
Expected rate of salary increase	**5.5**	6.0

The weighted average duration of the defined benefit obligation is 18 years (2019: 18 years).

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30 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions are as follows:

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
2020			
Discount rate	**1.0%**	**Decrease by 7.9%**	**Increase by 9.1%**
Expected rate of salary increase	**1.0%**	**Increase by 9.2%**	**Decrease by 8.1%**
2019			
Discount rate	1.0%	Decrease by 7.9%	Increase by 9.1%
Expected rate of salary increase	1.0%	Increase by 9.2%	Decrease by 8.1%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous financial year.

31 CONTRACT ASSETS/(LIABILITIES)

Contract assets/(liabilities) comprise of contract with customers as disclosed in Note 2(r).

(a) Contract assets

		Group	
	Note	**2020 RM'000**	**2019 RM'000**
Aggregate costs incurred to-date		**-**	15,937
Add: Attributable profits		**-**	344
		-	16,281
Less: Progress billings		**-**	(16,281)
Contract assets	17	**-**	-
Contract revenue recognised during the financial year	4	**-**	39,992
Contract costs recognised as expense during the financial year	5	**-**	37,964

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31 CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(b) Contract liabilities

	Note	Group 2020 RM'000	2019 RM'000
RoyalePharma voucher	(i)	**342**	162
Contract with customers for supply of medical and non-medical equipment	(ii)	**6,225**	6,225
		6,567	6,387

(i) RoyalePharma voucher

At 1 January	**162**	242
Additions during the financial year	**1,535**	1,272
Recognition of income during the financial year	**(1,355)**	(1,352)
At 31 December	**342**	162
Analysed as:		
- Current	**342**	162

(ii) The Group entered into a contract in the previous financial year to supply of medical and non-medical equipment. Contract is billed progressively in accordance with the signed agreement. The schedule of billings does not correspond with the revenue recognition which is determined by reference to the progress towards completing the performance obligations. As at 31 December 2020, no revenue was recognised in relation to this contract.

(c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from contract with customers.

	2020 RM'000	2019 RM'000
Aggregate amount of transaction price allocated to contracts that are partially unsatisfied as at 31 December	**144,342**	144,162

Management expects that the unsatisfied contracts as at 31 December 2020 will be recognised as revenue over a period of 3 years, which is depending on the progress towards completing the performance obligations.

NOTES TO THE FINANCIAL STATEMENTS
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32 SEGMENTAL REPORTING

The Board of Directors is the Group's chief operating decision maker. Performance is measured based on identified reportable segments' earnings before interest, taxation, depreciation and amortisation, 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 three reportable segments according to the internal reporting structure:

(a) Logistics and distribution - Distribution, trading and wholesaling of pharmaceutical and medical products as well as supply and installation of medical and hospital equipment in Malaysia.

(b) Manufacturing - Manufacturing of pharmaceutical products in Malaysia.

(c) Indonesia - Manufacturing and distribution of pharmaceutical and medical products in Indonesia have been aggregated into one reportable segment as it is reflective of the Group's business synergy in Indonesia, it is closely monitored as a potential growth region and is expected to materially contribute to the Group's revenue in the future.

Inter-segment revenues 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.

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32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments

	Logistics and distribution RM'000	Manufacturing RM'000	Indonesia RM'000	Unallocated corporate expenses RM'000	Elimination RM'000	Total RM'000
Group						
2020						
Revenue						
External sales	1,913,133	2,161	809,777	-	-	2,725,071
Inter-segment sales	-	250,492	-	-	(250,492)	-
Total revenue	1,913,133	252,653	809,777	-	(250,492)	2,725,071
Results						
Earnings before interest, taxation, depreciation and amortisation	62,040	30,232	14,724	(5,793)	-	101,203
Depreciation and amortisation	(8,859)	(15,909)	(7,573)	-	-	(32,341)
Finance costs	(16,433)	(4,641)	(14,604)	-	1,976	(33,702)
Interest income	2,043	542	24	-	(1,976)	633
Profit/(Loss) before zakat and taxation	38,791	10,224	(7,429)	(5,793)	-	35,793
Zakat	(2,172)	(350)	-	-	-	(2,522)
Taxation	(9,398)	3,347	(951)	-	-	(7,002)
Net profit/(loss) for the financial year	27,221	13,221	(8,380)	(5,793)	-	26,269

NOTES TO THE FINANCIAL STATEMENTS
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32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Indonesia RM'000	Elimination RM'000	Total RM'000
Group					
2020					
Other information					
Segment assets	1,721,136	699,014	382,974	(1,222,967)	1,580,157
Segment liabilities	1,287,726	342,777	310,859	(716,170)	1,225,192
Capital expenditure on property, plant and equipment, right-of-use assets and intangible assets	4,271	18,519	10,504	-	33,294
Impairment of slow moving and obsolete inventories	8,114	6,491	4,728	-	19,333
Share-based expenses	778	173	-	-	951
Non-cash (income)/expenses	(1,171)	4,829	3,655	-	7,313

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32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Indonesia RM'000	Unallocated corporate expenses RM'000	Elimination RM'000	Total RM'000
Group						
2019						
Revenue						
External sales	2,012,413	7,000	801,117	-	-	2,820,530
Inter-segment sales	-	282,698	-	-	(282,698)	-
Total revenue	2,012,413	289,698	801,117	-	(282,698)	2,820,530
Results						
Earnings before interest, taxation, depreciation and amortisation	55,027	60,779	22,890	(8,102)	-	130,594
Depreciation and amortisation	(256,800)	(19,651)	(7,142)	-	-	(283,593)
Finance costs	(19,673)	(3,775)	(17,544)	-	734	(40,258)
Interest income	1,544	555	27	-	(734)	1,392
(Loss)/Profit before zakat and taxation	(219,902)	37,908	(1,769)	(8,102)	-	(191,865)
Zakat	(1,890)	(350)	-	-	-	(2,240)
Taxation	48,419	(2,202)	(1,559)	-	-	44,658
Net (loss)/profit for the financial year	(173,373)	35,356	(3,328)	(8,102)	-	(149,447)

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32 SEGMENTAL REPORTING (CONTINUED)

(a) Analysis by business segments (continued)

	Logistics and distribution RM'000	Manufacturing RM'000	Indonesia RM'000	Elimination RM'000	Total RM'000
Group					
2019					
Other information					
Segment assets	1,651,039	647,403	401,478	(1,107,618)	1,592,302
Segment liabilities	1,234,125	312,851	322,858	(634,458)	1,235,376
Capital expenditure on property, plant and equipment, right-of-use assets and intangible assets	43,893	28,386	5,988	-	78,267
Impairment of slow moving and obsolete inventories	13,429	5,639	63	-	19,131
Share-based expenses	2,461	536	-	-	2,997
Non-cash (income)/expenses	(6,520)	1,643	2,363	-	(2,514)

NOTES TO THE FINANCIAL STATEMENTS
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32 SEGMENTAL REPORTING (CONTINUED)

(b) Geographical information

	Revenue from external customers RM'000	Total non-current assets excluding deferred tax assets RM'000
Geographical markets		
2020		
Malaysia	**1,902,391**	**560,444**
Indonesia	**809,777**	**43,064**
Other countries	**12,903**	**-**
	2,725,071	**603,508**
2019		
Malaysia	2,008,859	573,204
Indonesia	801,117	37,248
Other countries	10,554	-
	2,820,530	610,452

Revenue is based on the country in which the customer is located.

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

Revenues of approximately RM1.8 billion (2019: RM1.9 billion) are mainly derived from a single external customer. These revenues are attributable to Logistics and Distribution segment. The single external customer with revenue equal or more than 10% of the Group's total revenue is disclosed in Note 34(f).

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33 CAPITAL COMMITMENTS

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

	Group	
	2020 RM'000	2019 RM'000
Authorised and contracted for:		
- acquisition of property, plant and equipment	**3,141**	3,894
Authorised but not contracted for:		
- acquisition of property, plant and equipment	**120,607**	117,381

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group and the Company, if the Group and the Company have 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 the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

		Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a)	Immediate holding company				
	Expenses				
	• Management fees	**(299)**	(398)	**(299)**	(394)
	• Corporate and administrative support services	**(345)**	(503)	**-**	-

		Group	
		2020 RM'000	2019 RM'000
(b)	Subsidiaries of the immediate holding company		
	Expenses		
	• Travelling and accommodation	**(373)**	(1,505)
	• Provision of insurance	**(390)**	(2,538)
	• Freight forwarding and transportation services	**(12,033)**	(5,999)
	• Rental of premises	**(176)**	(867)

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34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Company	
	2020	**2019**
	RM'000	**RM'000**
(c) Subsidiaries		
<u>Income</u>		
• Interest income on advances to a subsidiary	**-**	16
• Dividend income from subsidiaries	**25,000**	35,000
• Management fees charged to subsidiaries	**14,367**	15,500
(d) Payment of expenses made on behalf:		
• by subsidiaries	**17,124**	2,532
• for subsidiaries	**(1,942)**	(2,701)

(e) Remuneration of key management personnel

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, bonuses and allowances	**7,473**	6,722	**7,429**	6,690
Social contribution costs	**10**	8	**10**	8
Defined contribution plan	**970**	978	**970**	978
Estimated monetary value of benefits by way of usage of Group assets	**157**	392	**157**	392
Share-based expenses	**951**	1,858	**951**	1,858
Fees	**1,004**	925	**808**	649
	10,565	10,883	**10,325**	10,575

Key management personnel comprise the Board of Directors and Senior Management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(f) 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 Lembaga Tabung Angkatan Tentera ("LTAT") being a body controlled by the Government of Malaysia.

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34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Government-related entities (continued)

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 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) and also for the development of Pharmacy Information System and Clinic Pharmacy Systems in government hospitals and clinics.

In the month of November 2019, the Group received a letter from MOH extending its services for the provision of medicine and medical supplies to MOH facilities for an interim period of twenty-five (25) months, commencing from 1 December 2019 to 31 December 2021. In addition, the Group also secured a contract to continue providing logistics and distribution services for MOH for a period of five years ending November 2024.

	Group	
	2020	**2019**
	RM'000	**RM'000**
Sale of goods to government-related entities	**1,795,476**	1,916,270
Contracts with government	**-**	37,680
Amounts due from government-related entities	**45,049**	1,728

During the outbreak of the COVID-19 pandemic in Malaysia, the Government of Malaysia had reached out to the Group for assistance whereby the Group has received funds from the Government of Malaysia to procure the necessary medical items such as ventilator and personal protective equipment. As at 31 December 2020, the Group has utilised the funds at the direction of the Government of Malaysia and the excess funds have been returned back to the Government of Malaysia.

(g) Significant outstanding balances

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amounts due from				
- Immediate holding company	**7**	14	**-**	-
- Subsidiaries	**-**	-	**111,662**	92,636
- Related companies	**35**	-	**-**	-
Amounts due to				
- Immediate holding company	**74**	190	**35**	29
- Subsidiaries	**-**	-	**135,837**	186,087
- Related companies*	**2,977**	2,230	**-**	-

* The related companies are subsidiaries of the immediate holding company and are included in Note 21.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

35 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 EURO, US Dollar, RMB and IDR. Foreign currency exchange risk arises from current commercial transactions, recognised assets and liabilities.

To manage the foreign exchange risk arising 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.

As at 31 December 2020, if the functional currency had weakened/strengthened by 5% (2019: 5%) against EURO with all other variables held constant, post tax profit for the financial year would have been lower/higher by RM47,000 (2019: post tax loss higher/lower by RM117,000) mainly as result of foreign exchange losses/gains on translation of EURO denominated trade receivables, trade payables and other payables.

As at 31 December 2020, if the functional currency had weakened/strengthened by 5% (2019: 5%) against US Dollar with all other variables held constant, post tax profit for the financial year would have been lower/higher by RM172,000 (2019: post tax loss higher/lower by RM300,000) mainly as a result of foreign exchange losses/gains on translation of US Dollar - denominated trade payables, other payables, trade receivables and deposits, cash and bank balances.

As at 31 December 2020, if the functional currency had weakened/strengthened by 5% (2019: 5%) against RMB with all other variables held constant, post tax profit for the financial year would have been higher/lower by RM185,000 (2019: post tax loss lower/higher by RM185,000) mainly as a result of foreign exchange gains/losses on translation of RMB - denominated deposits, cash and bank balances.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. As at 31 December 2020, if the functional currency had weakened/strengthened by 5% (2019: 5%) against the IDR with all other variables held constant, the impact on equity would have been approximately higher/lower by RM2,757,000 (2019: RM2,986,000) on translation upon consolidation. No impact to profit or loss as the financial assets and liabilities denominated in IDR are in respect of foreign subsidiaries where trade is conducted in the entity's functional currency.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign currency exchange risk (continued)

The financial assets and financial liabilities of the Group that are not denominated in its functional currency are set out below:

		2020	
	RMB RM'000	**US Dollar RM'000**	**Euro RM'000**
Trade receivables	**-**	**1,222**	**146**
Deposits, cash and bank balances	**4,879**	**130**	**-**
Trade payables	**-**	**(5,488)**	**(1,384)**
Other payables	**-**	**(392)**	**-**
	4,879	**(4,528)**	**(1,238)**

		2019	
	RMB RM'000	**US Dollar RM'000**	**Euro RM'000**
Trade receivables	-	1,880	-
Deposits, cash and bank balances	4,879	5	-
Trade payables	-	(9,064)	(3,059)
Other payables	-	(705)	(23)
	4,879	(7,884)	(3,082)

(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.

As at 31 December 2020, if interest rates on Ringgit Malaysia - denominated borrowings of the Group and of the Company had been 50 (2019: 50) basis points lower/higher with all other variables held constant, post tax profit for the financial year of the Group and of the Company would have been higher/lower by RM2,260,000 (2019: post tax loss lower/higher by RM1,857,000) and RM583,000 (2019: RM395,000) respectively, mainly as a result of lower/higher interest expense.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest rate risk (continued)

As at 31 December 2020, if interest rates on Indonesian Rupiah - denominated borrowings of the Group had been 50 (2019: 50) basis points lower/higher with all other variables held constant, post tax profit for the financial year of the Group would have been higher/lower by RM536,000 (2019: post tax loss lower/higher by RM565,000) respectively, mainly as a result of lower/higher interest expense.

(b) Credit risk

(i) Risk management

Credit risk is managed on Group basis. 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. There are no significant concentrations of credit risk whether through exposure to individual customers and/or regions other than disclosed below.

Under MFRS 9, cash and cash equivalents are also subject to the impairment. However, the identified impairment loss was immaterial as the counterparties are reputable financial institutions with high credit ratings and no history of default.

(ii) Exposure to credit risk

As at the end of the reporting period, the maximum exposure to credit risk arising from financial assets carried at amortised cost are represented by the carrying amounts in the statement of financial position.

(iii) Impairment of financial assets

Trade receivables

The Group applies the MFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared similar credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets (continued)

Trade receivables (continued)

On that basis, during the financial year ended 31 December 2020, the Group recognises the loss allowance of RM3,868,000 (2019: RM1,632,000) when the amount due exceed 3 months and above.

The Group is exposed to concentration of credit risk in respect to government-linked companies ("GLCs") of which the Group consider the risk of default is low. Furthermore, the Group is of the view that the expected credit loss rate on the amounts outstanding from GLCs are considered low as GLCs have low risk of default, strong capacity to meet their contracted cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of GLCs to fulfil their contractual cash flow obligations.

The aging analysis of the Group's gross and net receivable are as follows:

	← Collective assessment			→		
	Current and less than three months RM'000	**Between three and six months RM'000**	**Between six months and one year RM'000**	**Greater than one year RM'000**	**Individual assessment RM'000**	**Total RM'000**
At 31 December 2020						
Gross carrying amount	**188,382**	**25,009**	**18,409**	**12,649**	**8,837**	**253,286**
Expected loss rate	**0.0%**	**0.8%**	**14.9%**	**32.3%**	**100.0%**	**6.3%**
Loss allowance	**-**	**(200)**	**(2,747)**	**(4,091)**	**(8,837)**	**(15,875)**
Carrying amount (net of loss allowance)	**188,382**	**24,809**	**15,662**	**8,558**	**-**	**237,411**
At 31 December 2019						
Gross carrying amount	157,418	28,356	14,268	9,992	7,901	217,935
Expected loss rate	0.0%	0.4%	23.5%	24.8%	100.0%	6.3%
Loss allowance	-	(102)	(3,351)	(2,481)	(7,901)	(13,835)
Carrying amount (net of loss allowance)	157,418	28,254	10,917	7,511	-	204,100

The reconciliation of loss allowance for trade receivables is disclosed as in Note 17.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets (continued)

Other receivables and amounts due from subsidiaries

The balances are deemed recoverable, considered to be performing, and have a low risk of default and a capacity to meet contractual cash flows. This is supported after considering the historical data and the possibility of no credit loss occurring.

The reconciliation of loss allowance for other receivables and amounts due from subsidiaries are disclosed in Notes 18 and 19 respectively.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's and of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Group's and the Company's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements.

Whilst the Group's and the Company's current liabilities exceeded their current assets by RM267,575,000 (2019: RM266,870,000) and RM183,661,000 (2019: RM168,847,000) respectively, the Directors are of the view that the Group and the Company will have sufficient cash flows for the next 12 months from the reporting date to meet their cash flows requirements based on the undrawn committed borrowing facilities available to the Group and the Company as disclosed in Note 26. In addition, should the need arise, the profitable subsidiaries can distribute dividends to the Company to enable the Company to meet its immediate commitments as and when they fall due.

The table below analyses the Group's and the Company's financial 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 and will not reconcile to the amounts disclosed on the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

35 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				
Financial liabilities at amortised cost				
At 31 December 2020				
Borrowings	**628,399**	**48,512**	**299**	**78**
Lease liabilities	**326**	**1,291**	**620**	**77**
Trade payables	**441,562**	**-**	**-**	**-**
Other payables	**70,549**	**-**	**-**	**-**
Amount due to immediate holding company	**74**	**-**	**-**	**-**
Amounts due to related companies	**2,977**	**-**	**-**	**-**
At 31 December 2019				
Borrowings	538,316	36,328	234	80
Lease liabilities	674	1,026	1,808	581
Trade payables	548,994	-	-	-
Other payables	75,286	-	-	-
Amount due to immediate holding company	190	-	-	-
Amounts due to related companies	2,230	-	-	-
Company				
Financial liabilities at amortised cost				
At 31 December 2020				
Borrowings	**130,401**	**-**	**-**	**-**
Other payables	**3,663**	**-**	**-**	**-**
Amount due to immediate holding company	**35**	**-**	**-**	**-**
Amounts due to subsidiaries	**135,837**	**-**	**-**	**-**
At 31 December 2019				
Borrowings	50,200	-	-	-
Other payables	2,741	-	-	-
Amount due to immediate holding company	29	-	-	-
Amounts due to subsidiaries	186,087	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(d) Financial instruments by category

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at amortised cost				
Trade receivables	**237,411**	204,100	**-**	-
Other receivables (net of GST/VAT recoverable and prepayments)	**4,144**	8,342	**17**	-
Deposits, cash and bank balances	**40,696**	29,587	**407**	487
Amounts due from subsidiaries	**-**	-	**111,662**	92,636
Amount due from immediate holding company	**7**	14	**-**	-
Amount due from related companies	**35**	-	**-**	-
Financial liabilities at amortised cost				
Borrowings	**669,609**	565,297	**130,000**	50,000
Lease liabilities	**2,141**	3,582	**-**	-
Trade payables	**441,562**	548,994	-	-
Other payables	**70,549**	75,286	**3,663**	2,741
Amount due to immediate holding company	**74**	190	**35**	29
Amounts due to related companies	**2,977**	2,230	**-**	-
Amounts due to subsidiaries	**-**	-	**135,837**	186,087

As at 31 December 2020, the Directors consider that the carrying amounts of the financial assets and the financial liabilities in the financial statements to approximate their values.

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 borrowings divided by total capital.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (continued)

The gearing ratios are as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Total borrowings (Note 26)	**669,609**	565,297	**130,000**	50,000
Total equity attributable to equity holders of the Company	**337,528**	337,851	**437,739**	448,427
Gearing ratio (times)	**2.0**	1.7	**0.3**	0.1

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

- The ratio of debt to earnings before interest, taxation, depreciation and amortisation ("EBITDA") is to be not more than 3.5 to 1;
- The ratio of EBITDA to interest expense is to be not less than 4 to 1;
- Current ratio of a minimum of 1.1;
- The interest-bearing debt over equity ratio of not more than 3; and
- The ratio of Debt Service Coverage is to be a minimum of 1.25.

Included within bankers' acceptances (unsecured) of the Group as disclosed in Note 26 is RM13.9 million in respect of borrowings drawdown by PT Errita Pharma. The borrowings subject the subsidiary to financial covenant of interest-bearing debt over equity ratio of not more than 3. However, as at 31 December 2020, the subsidiary interest-bearing debt over equity ratio is more than 3. Thus, the subsidiary has since obtained the waiver from the bank for compliance with the debt covenant for the financial year ended 31 December 2020.

Other than the above, there is no non-compliance of financial covenants for borrowings of the Group and of the Company during the financial year.

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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

36 SUBSEQUENT EVENTS

(a) Pharmaniaga LifeScience Sdn. Bhd. ("PLS") has on 12 January 2021 entered into a Binding Term Sheet Agreement with Sinovac Life Sciences Co. Ltd., a subsidiary of the Sinovac Biotech Ltd. for the purchase of ready-to-fill bulk product of COVID-19 vaccine for manufacturing of COVID-19 vaccine by PLS in Malaysia. Subsequently on 12 March 2021, PLS has entered into Local Manufacturing Agreement with Sinovac Life Sciences Co. Ltd.

(b) Pharmaniaga LifeScience Sdn. Bhd. ("PLS") has on 26 January 2021 entered into a Term Sheet Agreement with Government of Malaysia, represented by the Ministry of Health for the purchase and distribution of COVID-19 vaccine, developed by Sinovac Life Sciences Co. Ltd.

37 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 18 March 2021.

OTHER COMPLIANCE INFORMATION

RECURRENT RELATED PARTY TRANSACTIONS

At the 22nd Annual General Meeting held on 20 July 2020, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature. The information disclosed in accordance with Section 3.1.5 of Practice Note 12 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad Listing Requirements are as follows:

Related party	Nature of Transaction	Actual transaction RM'000
Boustead Holdings Berhad	Provision of corporate and administrative support services, internal audit function and training	644
Boustead Travel Services Sdn Bhd	Provision of travelling services	189

AUDIT AND NON-AUDIT FEES

The audit and non-audit fees below are also disclosed in the Audited Financial Statements set out under Note 7 to the Financial Statements on page 168 of this Annual Report.

Audit Fees	Company RM'000	Group RM'000
Audit fees paid to the External Auditors for the financial year ended 31 December 2020	164	742

Non-Audit Fees	Company RM'000	Group RM'000
Non-audit fees paid to the External Auditors for the financial year ended 31 December 2020	1,268	1,312

MATERIAL CONTRACT

During the financial year, there was no material contract entered into by the Company and its subsidiaries involving Directors' and/or substantial shareholders' interests.

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no corporate proposals during the financial year ended 31 December 2020.

CONTRACTS RELATING TO LOANS

There were no material contracts relating to loans entered into by the Company involving Directors and/or substantial shareholders.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

Pharmaniaga did not issue any Options, Warrants and Convertible Securities during the financial year ended 31 December 2020 except the following:

SHARE SCHEME

The Share Scheme was approved by Company's shareholders at the Extraordinary General Meeting held on 29 March 2016 and subsequently implemented on 13 May 2016. The Share Scheme comprises the Option Plan and Long Term Incentive Plan (LTIP).

Option Plan

Option Price of RM5.04	Grand Total of Option	Option to Directors
Granted	15,840,00	13,800,000
Exercised	(200,000)	(200,000)
Lapsed	(13,600,000)	(13,600,000)
Outstanding	2,040,000	-

LTIP

Ordinary Share	Grand Total of Shares	Shares to Executive Director
Granted	3,096,000	448,500
Vested	(2,623,000)	321,700
Lapsed	(180,000)	126,800
Outstanding	293,000	-

During the financial year, all shares under the LTIP were granted to the Eligible Employees of the Group.

ANALYSIS OF SHAREHOLDINGS
AS AT 3 MAY 2021

DISTRIBUTION OF SHAREHOLDINGS

	No. of Holders	%	No. of Shares	%
LESS THAN 100	776	5.59	16,806	0.01
100 TO 1,000	6,076	43.78	3,610,859	1.38
1,001 TO 10,000	5,978	43.08	22,473,161	8.59
10,001 TO 100,000	946	6.82	24,860,017	9.50
100,001 TO LESS THAN 5% OF ISSUED SHARES	100	0.72	35,412,690	13.53
5% AND ABOVE OF ISSUED SHARES	2	0.01	175,332,199	66.99
Total	**13,878**	**100.00**	**261,705,732**	**100.00**

TOP 30 LARGEST SHAREHOLDERS (as per the register of Depositors)

No.	Name of Shareholders	No. of Shares	%
1	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	146,110,415	55.83
2	LEMBAGA TABUNG ANGKATAN TENTERA	29,221,784	11.17
3	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DASAR TECHNOLOGIES SDN BHD (CTS-DTS0002C)	1,950,000	0.75
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LSF)	1,687,900	0.64
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHE LODIN BIN WOK KAMARUDDIN (PB)	1,565,500	0.60
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	1,455,700	0.56
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	1,328,000	0.51
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (MIDF ABSR EQ)	1,212,100	0.46
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD (ORDPSA)	1,053,000	0.40
10	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	981,300	0.37
11	CHINCHOO INVESTMENT SDN.BERHAD	913,149	0.35
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD (ORDPA)	912,400	0.35
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (RHB INV)	817,700	0.31
14	YONG SIEW YOON	811,364	0.31
15	UOBM NOMINEES (TEMPATAN) SDN BHD UOB ASSET MANAGEMENT (MALAYSIA) BERHAD FOR GIBRALTAR BSN AGGRESSIVE FUND	757,700	0.29

ANALYSIS OF SHAREHOLDINGS
AS AT 3 MAY 2021

TOP 30 LARGEST SHAREHOLDERS (as per the Register of Depositors) (continued)

No.	Name of Shareholders	No. of Shares	%
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	755,900	0.29
17	GAN TENG SIEW REALTY SDN.BERHAD	657,564	0.25
18	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR VATHIVALOO A/L A.S RAMAIAH	652,500	0.25
19	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. YAYASAN LTAT	596,200	0.23
20	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	557,710	0.21
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	543,900	0.21
22	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR TAN HENG LOON	535,000	0.20
23	KEY DEVELOPMENT SDN.BERHAD	531,759	0.20
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VENUDRAN A/L RAMAN	478,700	0.18
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG MING SANG (E-SDK)	470,000	0.18
26	GEMAS BAHRU ESTATES SDN. BHD.	432,588	0.17
27	BIDOR TAHAN ESTATES SDN.BHD.	400,600	0.15
28	MIKDAVID SDN BHD	366,058	0.14
29	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO ANN SECK	355,000	0.14
30	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - PMB SHARIAH DIVIDEND FUND	350,000	0.13
	TOTAL	**198,461,491**	**75.83**

SUBSTANTIAL SHAREHOLDERS (as per the register of Substantial Shareholders)

		No. of Shares Held in Pharmaniaga Berhad	
		Holdings	**%**
1.	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	146,110,415	55.83
2.	LEMBAGA TABUNG ANGKATAN TENTERA	29,221,784	11.17

DIRECTORS' SHAREHOLDINGS (as per the Register)

DIRECT		No. of Shares Held in Pharmaniaga Berhad Holdings	%
1.	DATO' SRI MOHAMMED SHAZALLI BIN RAMLY	-	-
2.	DATUK ZULKARNAIN BIN MD EUSOPE	-	-
3.	DATO' DR. NAJMIL FAIZ BIN MOHAMED ARIS	-	-
4.	DATUK DR. AZHAR BIN AHMAD	-	-
5.	ZULKIFLI BIN JAFAR	-	-
6.	DR. ABDUL RAZAK BIN AHMAD	-	-
7.	IZADDEEN BIN DAUD	-	-
8.	ZAINAL ABIDIN BIN SHARIFF	-	-

GROUP PROPERTY LIST
AS AT 31 DECEMBER 2020

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2020 (RM'000)	Date of Revaluation/ Acquisition
Lot PT 46016, HS (D) 87359 Mukim of Kapar Klang Selangor Darul Ehsan **Industrial Premises:** No. 7, Lorong Keluli 1B Kawasan Perindustrian Bukit Raja Selatan Seksyen 7 40000 Shah Alam Selangor Darul Ehsan	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	26	23,064	14 March 2005
Lot PT 46016, HS (D) 87359 Mukim of Kapar Klang Selangor Darul Ehsan **Industrial Premises:** No 7, Lorong Keluli 1B Kawasan Perindustrian Bukit Raja Selatan Seksyen 7 40000 Shah Alam Selangor Darul Ehsan	A parcel of industrial land with a single storey laboratory building, chiller and a guard house	17,414	Freehold	23	13,485	14 March 2005
HS (D) 145264, PT 70920 Mukim of Kapar Klang Selangor Darul Ehsan **Shoplot:** No. 25, Jalan Keluli 7/109 Kawasan Perindustrian Bukit Raja Selatan Seksyen 7 40000 Shah Alam Selangor Darul Ehsan	3-storey shoplot	277	Freehold	6	3,142	3 October 2014
HS (D) 145263, PT 70919 Mukim of Kapar Klang Selangor Darul Ehsan **Shoplot:** No. 23, Jalan Keluli 7/109 Kawasan Perindustrian Bukit Raja Selatan Seksyen 7 40000 Shah Alam Selangor Darul Ehsan	3-storey shoplot	183	Freehold	6	1,821	3 October 2014

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2020 (RM'000)	Date of Revaluation/ Acquisition
HS (D) 22385 PT49 Seksyen 15 Bandar Shah Alam Daerah Petaling Selangor Darul Ehsan **Industrial Premises:** No. 11, Jalan Ragum 15/17, Seksyen 15 40200 Shah Alam Selangor Darul Ehsan	A parcel of Industrial land presently built upon with a single storey warehouse with 2 storey office annexed and a guard house	11,762	Leasehold of 99 years expiring on 12 January 2086	5	20,700	9 September 2015
Geran 44309 of Lot 7 Mukim Pekan Puchong Perdana Daerah Petaling Selangor Darul Ehsan **Factory:** No 7, Jalan PPU 3 Taman Perindustrian Puchong Utama 47100 Puchong Selangor Darul Ehsan	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, chiller, boiler house, waste water treatment and a guard house	28,041	Freehold	20	51,619	21 August 2001
Lot PT 1157, HS (M) 9726 Mukim of Kajang Hulu Langat Selangor Darul Ehsan **Factory:** No. 11A, Jalan P/1 Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi Selangor Darul Ehsan	A parcel of industrial land with 3 industrial buildings, an office/ workshop, a canteen, chiller, boiler house, waste water treatment, a TNB sub-station and a guard house	12,141	Leasehold of 99 years, expiring on 29 September 2086	35	11,609	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, a warehouse and a guard house	6,560	Leasehold of 60 years, expiring on 15 August 2056	24	5,652	3 November 2004

GROUP PROPERTY LIST
(Cont'd)

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2020 (RM'000)	Date of Revaluation/ Acquisition
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 a 2-storey office, warehouse and a guard house	7,851	Leasehold of 66 years, expiring on 21 December 2033	18	2,800	21 January 2002
HS (M) 1479, HS (M) 1480 and HS (M) 1481 Lot No. 3806, 3807 and 3808, Mukim 13 Daerah Seberang Perai Tengah, Pulau Pinang **Industrial Premises:** No. 1,3 & 5 Lorong IKS Juru 8 Taman Perindustrian Ringan Juru 14100 Simpang Ampat Seberang Perai Pulau Pinang	3 contiguous $1^{1/2}$ semi-detached warehouses with office	2,175	Freehold	23	889	11 November 1998
Flat No. 401-405 3rd Floor, Block 5 Jalan 1/9, Section 1 43650 Bandar Baru Bangi Selangor Darul Ehsan	5 units of 2–bedroom flat for staff lodging	296	Leasehold of 99 years, expiring on 31 March 2095	27	*0	10 June 1993 and 19 July 1995
Flat No. 501, 503, 505 and 507, 4th Floor, Block 10 Jalan 6C/11, Section 16 43650 Bandar Baru Bangi Selangor Darul Ehsan	4 units of 2-bedroom flat for staff lodging	262	Leasehold of 99 years, expiring on 31 March 2095	27	*0	11 June 1993
Lot PT 10908, HS (M) 9124 Mukim of Kajang Hulu Langat Selangor Darul Ehsan House: No. 5, Jalan 4/4E Section 4 43650 Bandar Baru Bangi Selangor Darul Ehsan	2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	34	*0	4 September 1987

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2020 (RM'000)	Date of Revaluation/ Acquisition
Lot PR 10911, HS (M) 9127 Mukim of Kajang Hulu Langat Selangor Darul Ehsan **House:** No 11, Jalan 4/4E Section 4 43650 Bandar Baru Bangi Selangor Darul Ehsan	2-storey intermediate house for staff lodging	128	Leasehold of 99 years, expiring on 3 September 2086	34	*0	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 8 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, chiller, boiler house, purified water system and waste water treatment	40,469	Leasehold of 99 years, expiring on 1 January 2083	43	14,494	6 March 2005
Lot 276, 277 & 278 District of Mukim of Bandar Seri Iskandar Perak Tengah Perak Darul Ridzuan **Factory:** Lot 120 Taman Farmaseutikal 32610 Bandar Seri Iskandar Perak Darul Ridzuan	A parcel of building land built upon a defected industrial building with a 2–storey office building, prayer room, canteen, warehouse, penicillin and non penicillin production plant buildings, laboratory building, chiller, boiler house, TNB sub-station, waste water treatment and a guard house	60,737	Leasehold of 99 years, expiring on 13 March 2100	24	25,801	1 June 2009
Blok D, 20 & 21 Ruko Grand Mal Bekasi, Jakarta Indonesia	Shop lots	453	Freehold 23 years to 2 June 2036	18	48	13 October 2003
Blok D 19 Ruko Grand Mal Bekasi, Jakarta Indonesia	Shop lots	204	Freehold	3	422	14 November 2017

GROUP PROPERTY LIST
(Cont'd)

Location and address of property	Brief description and existing use	Area Building/ Land (sq meters)	Tenure and Year of Expiry	Age of Building/ Land (Years)	Net Book Value as at 31/12/2020 (RM'000)	Date of Revaluation/ Acquisition
Jalan Depsos 67 – 70 Bintaro Jaksel, Jakarta Indonesia	Office and warehouse	1,860	Freehold 30 years to 7 July 2028	21	865	14 January 1999 Revaluation 2001
Jalan Kalibokor Selatan 152 Surabaya Indonesia	Office and warehouse	1,133	Leasehold 5 years to 24 July 2021	39	63	4 November 1971 Revaluation 2001
Jalan Hayam Wuruk I No.45, Bandar Lampung Indonesia	Office and warehouse	1,072	Freehold 20 years to 17 November 2036	4	890	10 November 2016
Jalan Peundeuy RT/RW 04/07 Desa Bojongsalam Kecamatan Rancaekek Kabupaten Bandung Indonesia	An industrial land with office, warehouse, guard house and electricity sub-station	16,492	Leasehold of 30 years to 01 October 2043	36	8,678	8 May 1994

** Below RM500*

GROUP CORPORATE DIRECTORY

List of Companies	Address
Pharmaniaga Berhad **Pharmaniaga Logistics Sdn Bhd** **Pharmaniaga Marketing Sdn Bhd** **Pharmaniaga Research Centre Sdn Bhd** **Pristine Pharma Sdn Bhd** **Pharmaniaga Biomedical Sdn Bhd** **Pharmaniaga International Corporation 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	No. 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 Branch)	Lot No. 24 & 25, 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 (Seri Iskandar Branch)	Lot 120, Taman Farmaseutikal 32610 Bandar Seri Iskandar Perak Darul Ridzuan Tel : +605-371 2020 Fax: +605-371 1940/1950
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
Bio-Collagen Technologies Sdn Bhd	No 11, Jln Perindustrian Balakong Jaya 2/3 Taman Perindustrian Balakong Jaya 2 43300 Seri Kembangan Selangor Darul Ehsan Tel : +603-8959 9710 Fax: +603-8945 9910
Pharmaniaga Logistics Sdn Bhd (Seksyen 15, Shah Alam Branch)	Lot 49, No.11, Jalan Ragum 15/17 Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan Tel: +603-5512 0161 Fax: +603-5512 0281

GROUP CORPORATE DIRECTORY
(Cont'd)

List of Companies	Address
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
Paradigm Industry Sdn Bhd	No. 36-G Jalan Klang Sentral 2/KU5 Klang Sentral 41050 Klang Selangor Darul Ehsan Tel : +603-3358 6760 Fax: +603-3362 6761
PT Millennium Pharmacon International Tbk (HQ)	Crown Bungur Arteri 2-4th Floors Jl. Sultan Iskandar Muda No. 18 Jakarta, 12240 Indonesia Tel : +62-21 2708 5961 Fax: +62-21 2708 5958
PT Errita Pharma (Bandung)	Jalan Peundeuy, RT/RW 04/07 Desa Bojongsalam Kecamatan Rancaekek Kabupaten Bandung Indonesia Tel : +62-22 7949 062/4 Fax: +62-22 7949 063
PT Mega Pharmaniaga (Dormant) (Jakarta)	Kompleks Perkantoran Graha Elok Mas Blok HH, No. 83 Jl. Panjang, Kebon Jeruk Jakarta, 11510 Indonesia Tel : +62-21 295 08987 Fax: +62-21 295 08988

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting (AGM) of Pharmaniaga Berhad will be conducted entirely through live streaming from the broadcast venue at Royale Chulan Kuala Lumpur, 5, Jalan Conlay, 50450 Kuala Lumpur on Wednesday, 16 June 2021 at 9.00 a.m. for the purpose of transacting the following business:

AS ORDINARY BUSINESS

To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors. **(Please refer to Explanatory Note 1)**

1. To re-elect the following Directors who retires in accordance with Article 123 of the Company's Constitution:
   - i. Dato' Sri Mohammed Shazalli Ramly **Resolution 1**
   - ii. Datuk Zulkarnain Md Eusope **Resolution 2**
   - iii. Dato' Dr. Najmil Faiz Mohamed Aris **Resolution 3**
   - iv. Datuk Dr. Azhar Ahmad **Resolution 4**
   - v. Zulkifli Jafar **Resolution 5**
   - vi. Dr. Abdul Razak Ahmad **Resolution 6**
   - vii. Izaddeen Daud **Resolution 7**
   - viii. Zainal Abidin Shariff **Resolution 8**
2. To approve payment of Directors' fees and meeting allowances for Pharmaniaga Berhad from 17 June 2021 until the conclusion of the next AGM of the Company. **Resolution 9**
3. To approve payment of meeting allowances to Directors for directorship in Pharmaniaga Berhad subsidiaries in Malaysia from 17 June 2021 until the conclusion of the next AGM of the Company. **Resolution 10**
4. To approve payment of Directors' fees and meeting allowances to Directors for directorship in Pharmaniaga Berhad subsidiaries in Indonesia from 17 June 2021 until the conclusion of the next AGM of the Company. **Resolution 11**
5. To approve the payment of benefits in kind payable to the Chairman and Directors from 17 June 2021 until the conclusion of the next AGM of the Company: **Resolution 12**

Description	Chairman's Benefits	Board Members
Benefits in kind	Driver, unlimited coverage of medical benefits and other claimable benefits such as petrol and car maintenance	Unlimited coverage of medical benefits and mileage

6. To re-appoint Messrs. PricewaterhouseCoopers PLT as auditors of the Company and to hold office until the conclusion of the next AGM, at a remuneration to be determined by the Directors. **Resolution 13**

NOTICE OF ANNUAL GENERAL MEETING
(Cont'd)

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions:

7. **ORDINARY RESOLUTION** **Resolution 14**
AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 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 AGM of the Company."

8. **ORDINARY RESOLUTION** **Resolution 15**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS

"THAT, subject always to the Companies Act 2016 ("Act"), the Company's Constitution and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the renewal of the mandate granted by the shareholders of the Company on 20 July 2020, authorising the Company and/or its subsidiaries to enter into recurrent transactions of a revenue or trading nature with the Related Parties as specified in Section 2.2 of the Circular to shareholders dated 24 May 2021, provided that the transactions are:

i. necessary for the day to day operations;
ii. carried out in the ordinary course of business and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
iii. 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 AGM of the Company, 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 which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
iii. revoked or varied by a 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 this Shareholders' Mandate."

9. To transact any other business of the Company of which due notice shall have been received.

By *Order of the Board*
WAN INTAN IDURA WAN ISMAIL (LS0010452)
SYARUZAIMI YUSOF (LS0010451)
Secretaries

Kuala Lumpur
24 May 2021

Explanatory Notes

1. **Audited Financial Statements**

   The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act 2016 are meant for discussion only. It does not require shareholders' approval, and therefore, shall not be put forward for voting.

2. **Ordinary Resolutions 1 to 8 – Proposed Re-election of Directors in accordance with Article 123 of the Company's Constitution**

   Article 123 of the Company's Constitution provides amongst others that the Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company, either to fill a casual vacancy or as an addition to the existing Directors, but the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with the Company's Constitution. Any Director so appointed shall hold office only until the conclusion of the next following AGM of the Company and shall then be eligible for re-election.

   Directors who are standing for re-election pursuant to Article 123 of the Company's Constitution are as follows:

   i. Dato' Sri Mohammed Shazalli Ramly
   ii. Datuk Zulkarnain Md Eusope
   iii. Dato' Dr. Najmil Faiz Mohamed Aris
   iv. Datuk Dr. Azhar Ahmad
   v. Zulkifli Jafar
   vi. Dr. Abdul Razak Ahmad
   vii. Izaddeen Daud
   viii. Zainal Abidin Shariff

   The profiles of the Directors who are standing for re-election are set out on pages 16, 17, 18, 19, 20, 21, 22 and 23 of the Annual Report, while details of their interests in securities are set out on page 231 of the Annual Report.

3. **Ordinary Resolutions 9, 10 and 11 – Non-Executive Directors' Remuneration**

   Section 230(1) of the Companies Act 2016 provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at the general meeting.

   In respect of this, the Board wishes to seek shareholders' approval for the following payments of Directors' fees and meeting allowances payable to Non-Executive Directors of Pharmaniaga Berhad from 16 June 2021 until the conclusion of the next AGM of the Company in three separate resolutions as set out below:

Ordinary Resolution 9 seeks approval for payment of Directors' fees and meeting allowances for Pharmaniaga Berhad.

Pharmaniaga Berhad

		Directors' Fees (annual) (RM)	Meeting Allowance (per meeting) (RM)
Board	Chairman	170,000	1,500
	Independent Non-Executive Director	90,000	1,000
	Non-Independent Non-Executive Director	90,000	1,000
Audit Committee	Chairman Member	30,000 20,000	1,500 1,000
Other Board Committees	Chairman Member	5,000 3,000	1,500 1,000

Ordinary Resolution 10 seeks approval for payment of meeting allowances to Directors for directorship in Pharmaniaga Berhad subsidiaries in Malaysia.

Subsidiaries of Pharmaniaga Berhad in Malaysia

	Meeting Allowance (per meeting) (RM)
Chairman	1,500
Member	1,000

Ordinary Resolution 11 seeks approval for payment of Directors' fees and meeting allowances to Directors for directorship in Pharmaniaga Berhad subsidiaries in Indonesia.

Indonesia subsidiaries of Pharmaniaga Berhad

		Directors' Fees (annual) (RM)	Meeting Allowance (per meeting) (RM)
PT Errita Pharma	Director Member	48,000 30,000	1,500 1,000
PT Millennium Pharmacon International Tbk	Director	30,000	1,000

NOTICE OF ANNUAL GENERAL MEETING
(Cont'd)

4. **Ordinary Resolution 12 – Director's Remuneration Framework**

Section 230(1) of the Companies Act 2016 provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at the general meeting.

Ordinary Resolution 12 seeks approval for payment of benefits in kind payable to the Chairman and Directors of Pharmaniaga Berhad from 17 June 2021 until the conclusion of the next AGM of the Company comprising the following, with or without modifications:

Description	Chairman's Benefits	Board Members
Benefits in kind	Driver, unlimited coverage of medical benefits and other claimable benefits such as petrol and car maintenance	Unlimited coverage of medical benefits and mileage

5. **Ordinary Resolution 13 – Re-appointment of Auditors**

The Board and Audit Committee of the Company are satisfied with the quality of service, adequacy of resources provided, communication, interaction skills and independence, objectivity and professionalism demonstrated by the External Auditors, Messrs.PricewaterhouseCoopers PLT in carrying out their functions. Being satisfied with the External Auditors' performance, the Board recommends the re-appointment for shareholders' approval at the Twenty-Third AGM.

6. **Explanatory Notes to Special Business**

a) **Ordinary Resolution 14 – Authority for Directors to Allot and Issue Shares**

Ordinary Resolution 14, 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 at a general meeting, expire at the conclusion of the next AGM.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Twenty-Second AGM held on 20 July 2020, the mandate of which will lapse at the conclusion of the Twenty-Third AGM to be held on 16 June 2021.

b) **Ordinary Resolution 15 – Recurrent Related Party Transactions**

Ordinary Resolution 15, 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 ("Mandate")

Further information on the Mandate is set out in the Circular to shareholders dated 24 May 2021.

NOTES

1. As part of the initiatives to curb the spread of COVID-19, the AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV). Both facilities are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at **https://tiih.online**.

2. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.

   Shareholders are to participate (including posing questions to the Board via real time submission of typed texts) and vote remotely at the AGM via the RPV provided by Tricor via its TIIH Online website at **https://tiih.online**.

3. The venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxy(ies) from the public will be physically present at the meeting venue on the day of the meeting.

4. For the purpose of determining who shall be entitled to participate in the AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the Record of Depositors as at 8 June 2021. Only members registered in the Record of Depositors shall be entitled to participate in the AGM via RPV.

5. A member of the Company entitled to participate in the AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/ her place. A proxy may but need not be a member of the Company.

6. A member of the Company entitled to attend and vote at a general meeting of the Company may appoint not more than two proxies to participate at the AGM via RPV. Where a member appoints more than one proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

7. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (Central Depositories Act), it may appoint not more than two proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

8. Where a member of the Company is an exempt authorised nominee 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

9. A member who has appointed a proxy or attorney or authorised representative to participate, speak and vote at the AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at **https://tiih.online**. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.

10. The appointment of proxy may be made in a hardcopy form or by electronic means as follows:

    i. In hard copy form

       In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, no later than Monday, 14 June 2021 at 9.00 a.m.

    ii. By electronic form

       The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at **https://tiih.online**. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of proxy form via TIIH Online.

11. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the AGM of the Company shall be put to vote by way of a poll.

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PROXY FORM

Co. Reg. No. 199801011581 (467709-M)
(Incorporated in Malaysia)

I/We ______________________________ NRIC (New)/Passport No./Company No.: ______________
(INSERT FULL NAME IN BLOCK CAPITAL)

Contact No. ______________________ of ______________________________
(FULL ADDRESS)

being a member of PHARMANIAGA BERHAD, hereby appoint* ______________________________
(INSERT FULL NAME IN BLOCK CAPITAL)

NRIC (New) No.: ______________________ of ______________________________
(FULL ADDRESS)

and ______________________________ NRIC (New) No.: ______________________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____

____
(FULL ADDRESS)

*or failing him/her, the Chairman of the Meeting as my proxy to attend and vote for me on my behalf, at the Twenty-Third Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur on Wednesday, 16 June 2021 at 9.00 a.m. or any adjournment thereof, to vote as indicated below:

No	Resolution	Ordinary	For	Against
1	Re-election of Dato' Sri Mohammed Shazalli Ramly	Resolution 1		
2	Re-election of Datuk Zulkarnain Md Eusope	Resolution 2		
3	Re-election of Dato' Dr. Najmil Faiz Mohamed Aris	Resolution 3		
4	Re-election of Datuk Dr. Azhar Ahmad	Resolution 4		
5	Re-election of Zulkifli Jafar	Resolution 5		
6	Re-election of Dr. Abdul Razak Ahmad	Resolution 6		
7	Re-election of Izaddeen Daud	Resolution 7		
8	Re-election of Zainal Abidin Shariff	Resolution 8		
9	Approval of Directors' fees and meeting allowances for Pharmaniaga Berhad from 17 June 2021	Resolution 9		
10	Approval of meeting allowances to Directors for directorship in Pharmaniaga Berhad subsidiaries in Malaysia from 17 June 2021	Resolution 10		
11	Approval of Directors' fees and meeting allowances to Directors for directorship in Pharmaniaga Berhad subsidiaries in Indonesia from 17 June 2021	Resolution 11		
12	Approval of payment of Chairman and Directors' benefits in kind from 16 June 2021	Resolution 12		
13	Re-appointment of Messrs. PricewaterhouseCoopers PLT as Auditors	Resolution 13		
14	Approval for Directors to allot and issue shares	Resolution 14		
15	Renewal of shareholders' Mandate for Recurrent Related Party Transactions	Resolution 15		

Dated this ______________ day of ______________ 2021.

____
Signature of Member

No. of ordinary shares held:	
CDS account no. of authorised nominee:	
Proportion of shareholdings to be represented by proxies	First Proxy: ______________ % Second Proxy: ______________ %
Total	%

Notes

*(a) As part of the initiatives to curb the spread of Coronavirus Disease 2019 (COVID-19), the AGM will be conducted on **a virtual basis through live streaming and online remote voting** via Remote Participation and Voting (RPV). Both facilities are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at **https://tiih.online**. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.*

*(b) The venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. **No shareholders/proxy(ies) from the public will be physically present at the meeting venue on the day of the meeting**.*

(c) For the purpose of determining who shall be entitled to participate in the AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the Record of Depositors as at 8 June 2021. Only members registered in the Record of Depositors shall be entitled to participate in the AGM via RPV.

(d) A member of the Company entitled to participate in the AGM via RPV is entitled to appoint a proxy or attorney. A proxy may but need not be a member of the Company.

(e) A member of the Company entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate at the AGM via RPV. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(f) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (Central Depositories Act), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

(g) Where a member of the Company is an exempt authorised nominee 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

(h) The appointment of proxy may be made in a hardcopy form or by electronic means as follows:

(i) In hardcopy form

In the case of an appointment made in hardcopy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, no later than Monday, 14 June 2021 at 9.00 a.m.

(ii) By electronic form

*The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online **https://tiih.online**. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of proxy form via TIIH Online.*

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Share Registrar of Pharmaniaga Berhad

Tricor Investor & Issuing House Services Sdn Bhd
Co. Reg. No. 197101000970 (11324-H)
Unit 32-01
Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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